



Exporter Guide

FOOD AND BEVERAGE IN INDONESIA

Market Profile
February 2012

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1 MARKET STRUCTURE

Indonesia is the world's fourth most populous country with a population of 232.5 million in 2010, and the largest economy in Southeast Asia. In 2011, New Zealand's food and beverage exports totalled US\$468.3 million, making Indonesia New Zealand's 11th largest export destination.ⁱ

In November 2011, Indonesia provided formal notification of the completion of its internal ratification procedures to enable the ASEAN – Australia – New Zealand Free Trade Agreement (AANZFTA). From 10 January 2012, AANZFTA will open up considerable opportunities for New Zealand businesses. The agreement will allow duty / tariff free access to over 90 percent of New Zealand goods and services by 2015.ⁱⁱ

1.1 Market Overview

In 2010 and 2011, dairy and meat products comprised over 76 percent of New Zealand's food and beverage exports to Indonesia (2010: US\$363 million; 2011: US\$381 million). In 2010, Indonesia's dairy and meat market was worth an estimated US\$2 billion.

The majority of the population in Indonesia, approximately 85 percent, are Muslim and all slaughtered food and meat (excluding pork) must have halal certification.ⁱⁱⁱ



1.1.1 Market by product category

Packaged food

In 2010, Indonesia's packaged food market was valued at US\$19.1 billion.

The sale of impulse and indulgence products (i.e. chocolates) grew due to increasing affluence. Nutrition and staples (i.e. rice) grew by 31 percent in 2010.

Canned / preserved food had a high growth rate of 20 percent in 2010.

Indonesia: Sales of Packaged Food by Category: Value 2005-2010 in million USD				
	2007	2008	2009	2010
Packaged Food - Total	13,110	14,307	14,817	19,100
Nutrition/staples (i.e. rice)	7,876	8,798	9,167	11,959
Dried Processed Food (i.e. dessert mixes, instant soup)	4,089	4,642	4,909	6,515
Impulse and Indulgence Products (i.e. chocolate coated biscuits)	4,148	4,318	4,404	5,506
Bakery	2,111	2,201	2,238	2,781
Dairy	1,484	1,540	1,596	2,026
Noodles	1,340	1,487	1,526	1,999
Baby Food	1,257	1,398	1,496	1,967
Confectionery	1,287	1,329	1,360	1,704
Meal Solutions (i.e. tomato pastes)	1,086	1,190	1,244	1,634
Sweet and Savoury Snacks	779	812	832	1,054
Oils and Fats	759	909	845	1,039
Sauces, Dressings and Condiments	477	499	510	653
Frozen Processed Food	263	306	327	439
Ice Cream	245	269	278	356
Canned/Preserved Food	200	230	251	346
Chilled Processed Food	63	68	68	86
Spreads	62	65	66	82
Meal Replacement (i.e. breakfast bars)	13	15	16	21
Pasta	11	12	13	17
Ready Meals (i.e. instant pasta)	4	4	4	5
Snack Bars	0.9	3	3	4
Soup	3	3	3	4

Source: Euromonitor International (NB: IDR/USD currency; [2007] 9141, [2008] 9699, [2009] 10389.9, [2010] 9090.4)



Fresh food

In 2010, the fresh food market in Indonesia had a total volume of 48.1 million tonnes, making Indonesia the fifth largest fresh food market in the world. During the period 2005-2010, demand of fresh food increased by 13 percent.^{iv}

Indonesia: Fresh food market in Indonesia in million tonnes					
	2007	2008	2009	2010	2011f
Starchy Roots	14,985	15,148	15,309	15,455	15,582
Fruits	10,386	10,786	11,147	11,489	11,787
Vegetables	9,095	9,356	9,613	9,868	10,119
Fish and Seafood	5,016	5,153	5,291	5,432	5,592
Meat	1,969	2,024	2,078	2,138	2,188
Sugar and Sweeteners	1,778	1,825	1,872	1,914	1,952
Eggs	743	761	777	794	808
Nuts	671	700	730	762	798
Pulses	222	224	227	230	234

Source: Euromonitor International (NB: 2011 forecasts)

Wine^{iv}

In 2011, the Indonesian wine market was worth approximately US\$32 million (RP 275.4 billion) and retail sales totalled 3.1 million litres. Wine accounted for only 3 percent of total alcohol sales. Beer is considerably more popular as an alcoholic beverage.

During the period 2008-2010, wine volume sales declined by 6 percent.

While prices increased, the demand from Indonesian consumers with high disposable incomes and expatriates remained and the number of wine enthusiasts in Indonesia grew. The growth was influenced by western culture and wine events such as wine tasting, wine dinners and classes. The wine market showed an increase in sales by value of 61 percent during the period 2008-2010.^v

Indonesia: Wine Sales						
	2006	2007	2008	2009	2010	2011
Off-trade Value in million USD	12.0	14.0	15.0	16.0	28.0	32.0
Off-trade Volume in million litres	3.3	3.4	3.4	3.3	3.2	3.1

Source: Euromonitor International (NB: IDR/USD currency; [2006] 9159.3, [2007] 9141, [2008] 9699, [2009] 10389.9, [2010] 9090.4, [2011] 8696.1)

1.1.2 Market by distribution channel

Mass grocery retail

In 2011, traditional retailers, comprising small independent stores and open air markets, accounted for an estimated 77 percent of the total retail sales.^{vii}



In the organised retail sector, Hypermarkets had the largest market share in 2010, with US\$13.6 billion in sales, followed by supermarkets (US\$11 billion) and convenience stores / mini-markets (US\$5 billion).

During the period 2005-2010, supermarket sales increased by 112 percent, followed by hypermarkets (109 percent) and convenience stores / mini-markets (105 percent).

Mass Grocery Retail Sector – Estimated Number of Outlets						
	2005	2006	2007	2008	2009	2010
Total	5,912	7,154	8,530	9,429	10,572	11,524
Convenience Stores / Mini-Markets	2,758	3,337	3,953	4,334	4,871	5,299
Supermarkets	2,652	3,173	3,830	4,297	4,801	5,252
Hypermarkets	502	644	747	798	900	973

Source: Business Monitor International

1.2 Market Drivers

The following are viewed as key drivers for the food and beverage market in Indonesia:

- The food and beverage market in Indonesia grew in 2010, recovering from the worldwide recession. Purchasing power of middle and upper income consumers revived with an increase of disposable income. Political and economic conditions stabilised and the number of modern retail outlets and food service retailers grew.^{vi}
- Consumers are embracing the health conscious trend seen throughout the world, as a result of exposure to health education through the media.^{vi}
- To meet the increasing demand of educated and health conscious consumers, the Indonesian government has taken on initiatives such as the Merauke Integrated Food and Energy Estate project. Through this US\$5 billion project, the government expects to produce almost 2 million tonnes of rice, 2 million tonnes of corn, 2.5 million tonnes of sugar, 937,000 tonnes of palm oil, 167,000 tonnes of soy beans and grazing land for 64,000 cattle.^{vii}
- In April 2010, taxation on wine increased significantly resulting in an increase in wine prices. Approximately 45 percent of the cost paid by consumers is tax, including sales tax (VAT), excise and import tax.^v
- While traditional markets still account for the majority of retail sales, they face greater pressure on market share as modern retail becomes more popular. While the government tried to discourage the rapid spread of modern retail, it wasn't successful in enforcing its legislative regulations and modern retailers increased in numbers by using fake permits in some cases.ⁱⁱⁱ



1.3 Market Potential

The overall food consumption is forecast to grow by a compound annual growth rate (CAGR) of 9.1 percent to 2015.^{vii}

Modern retail, such as hypermarkets are projected to increase in numbers as urban centres expand and demand increases for convenience and added-value products (i.e. rice and noodle ready-meals). However, most consumers in Indonesia remain price sensitive and private label will be a popular alternative as it is perceived as good value rather than cheap.^{vii}

The sale of alcoholic beverages is expected to decline with a CAGR of 2.3 percent during 2010-2015. However, wine is forecast to grow with a CAGR of 1.4 percent during 2010-2015 as wine is perceived to be a healthier option than other alcoholic beverages such as beer.^v

Indonesia has a massive youth population of around 40.9 million, aged between 15 and 24. This age group tends to be more westernised compared to the older population and is projected to drive demand for mass market products such as confectionary goods.^{vii}

There are opportunities for products targeted to improve the condition of specific health problems. These products include calcium fortified milk to prevent osteoporosis, dairy milk for nursing mothers, baby food and products for weight and cholesterol reduction.^{vi}

1.4 Import Trends^{vii}

In 2010, Indonesia imported an estimated US\$8.1 billion, a growth of 25 percent from 2009. Indonesia is relatively resilient to global trade volatility but reliant on dairy and poultry imports to meet demand.

Indonesia: Food and Beverage Trade in million USD							
	2009	2010e	2011f	2012f	2013f	2014f	2015f
Exports	18,756	24,765	30,406	36,517	43,492	52,167	62,034
Imports	6,476	8,120	9,573	11,233	13,172	15,598	18,448
Balance	12,280	16,645	20,833	25,284	30,320	36,563	43,585

Source: Business Monitor International (NB: 2010 estimate; 2011-2015 forecasts)



1.5 Key Players in the Market^{vii}

Food and beverages

Nestlé Indonesia had the highest market share with sales of US\$23.2 billion in Indonesia and Papua New Guinea. Nestlé has a market leading position in the dairy sector and in its instant noodle category, operates a 50-50 joint venture with Indofood Sukses Makmur.

One of Indonesia's key players in alcoholic beverages is Multi Bintang with 414 employees and US\$209.5 million in sales in 2010.

Indonesia: Key Players in the food and beverage market					
Company	Sub-sector	Sales (US\$mn)	Year-ending	No. of employees	Year Established
Nestlé Indonesia	confectionery and dairy	23,238**	Dec-10	1,232	1971
Indofood Sukses akmur Terbuka	miscellaneous food	4,493	Dec-10	64,200	1990
Unilever Indonesia	dairy and tea	2,303	Dec-10	3,308	1933
PT Charoen Pokphand Indonesia	meat and Fish	1,764	Dec-10	7,095	1972
Mayora Indah Tbk	confectionery	845	Dec-10	4,407	1977
Sari Husada	formula and baby food	317e	2010	902	1954
PT Malindo Feedmill Tbk	miscellaneous food	238	Dec-10	2,144	na
PT Siantar Top	Snack food	89	Dec-10	4,292	1970
Tiga Pilar Sejahtera Food	Snack food and instant noodles	83	Dec-09	1,925	na

Source: Company Investor Relations, BMI (NB: e = estimate, na = not available, **Includes Papua New Guinea)

Mass Grocery Retail

Hero Supermarket Tbk had the largest sales within the mass grocery retail sector with US\$8.97 billion in 2010. Hero has a broad range of store formats and offers lower value products while Carrefour, the biggest foreign retailer in Indonesia, dominates the upper end of the market.



Key Players in Indonesia's Mass Grocery Retail Sector, 2011						
Parent Company	Country of Origin	Sales, US\$ mn	Financial year	Brand	Format	No of outlets
PT Hero Supermark et Tbk	Indonesia / Hong Kong	8,971	2010	Hero	Supermarket	120
				Giant	Hypermarket	38
				StarMart	Convenience Store	125
PT Sumber Alfaria Trijaya Tbk	Indonesia	1,645	2010	Alfamart	Supermarket	4812
				Alfa Minimart	Convenience Store	
PT Matahari Putra Prima Tbk	Indonesia	1,615	2009	Foodmart	Supermarket	25
				Hypermart	Hypermarket	52
				Cut Price	Discount Store	9
PT Carrefour Indonesia	France / Indonesia	1,570***	2010	Carrefour	Hypermarket	63
					Supermarket	16
PT Makro Indonesia **	Netherlands	656e	2010	Makro	Cash & Carry	20
PT Ramayana Lestari Sentosa Tbk	Indonesia	639	2009	Ramayana	Supermarket	104
PT Indomaret Prismaatama	Indonesia	500e	2010	Indomaret	Convenience Store	5,174
PT Lion Superindo	Belgium / Indonesia	431*	2010	Super Indo	Supermarket	74
PT Alfa Retailindo Tbk	Indonesia	187	2010	Alfa	Supermarket	35
				Alfa Grosir	Supermarket	8
				Gelael	Supermarket	11

Source: Company Investor Relations, BMI (NB: e = estimate, *Based on Delhaize Group Rest of World Sales, ** South Korea's Lotte acquired Makro in October 2008, ***Based on Carrefour's Indonesia sales. #Includes franchised, independent stores)

1.6 Regulatory

Information provided in this section is for reference only. When negotiating supply contracts and before beginning actual export, companies are advised to consult closely with their importer or distributor.

Duties and tariffs

Under AANZFTA there will be tariff free access to more than 90 percent of New Zealand goods by 2015, and the majority of these are food and beverage products.



Alcoholic beverages in Indonesia including wine are strictly regulated due to the Muslim Law. Wines are subject to 10 percent value added tax (VAT), import tax of 150 percent and income tax of 25 percent.

Category	Classification	Import duty	Excise Tax
A	Alcoholic beverage with 1-5 percent ethanol content	USD 1.57 / litre IDR 14,000 / litre	USD 1.25 / litre IDR 11,000 / litre
B	Alcoholic beverage with 5-20 percent ethanol content	USD 6.18 / litre IDR 55,000 / litre	USD 4.5 / litre IDR 40,000 / litre
C	Alcoholic beverage with 20-55 percent ethanol content	USD 14.00 / litre IDR 125,000 / litre	USD 14.61 / litre IDR 130,000 / litre

For more information, visit the Directorate General of Customs & Excise at www.beacukai.go.id or the AANZFTA at www.asean.fta.govt.nz.

Licensing and registration requirements

Prior to importation of food, companies must follow a registration process which involves a fee of Rp 150,000-3,000,000 (approximately NZ\$17-345).

The documents needed to register include:

- a letter that guarantees safety, quality, nutrition and labelling
- an authorisation letter from the manufacturer
- health certificate or certificate of free sale issued by authorised deputy from country of origin
- an audit report of distribution facilities from NADFC (National Agency of Drugs and Food Control) provincial office.
- copy of registration approval letter from the NZ company's importer

For more information on licensing and registration, visit National Agency of Drug and Food Control at www.pom.go.id

Labelling requirements

All imported food and beverages need to be labelled in Indonesian language and must contain:

- brand name
- name of product (type of food)
- list of ingredients
- net weight or net content or drained weight (if applicable)



- name and address of parties that produce or import the products into Indonesia
- registration number
- date, month and year of minimum durability

For more information on labelling, visit the National Agency of Drug and Food Control at www.pom.go.id.

Quotas

New Zealand wine exports are subject to Indonesia's import quotas.

The Indonesian government increased the import quota for wine to 225,000 cases in 2009, from 80,000 cases in 2008. The number of cases of wine imported in 2008 and 2009 were 77,485 and 191,953 cases respectively. **Error! Bookmark not defined.**

Indonesia has also recently imposed beef quotas which are being reviewed regularly.

Halal

Halal certification in Indonesia is required for all food derived from animal products, and recommended for companies whose products are targeting the mass retail market. Exporters are advised to check this closely with their importers or distributors in Indonesia. [The Federation of Islamic Associations of New Zealand](http://www.fianz.co.nz) (FIANZ) is recognised by the Indonesian Ulama Council (MUI) for certifying products in New Zealand. They can be contacted at fianz@ztra.co.nz.

For more information on the overseas market access requirements (including halal requirements), visit the New Zealand Food Safety Authority at www.foodsafety.govt.nz

For more information on halal, visit the MUI at www.halalmui.org

1.7 Sustainability^{viii}

The Indonesian Government encourages companies to use sustainable packaging and recyclable materials through tax incentives and an awards system. The government plans to boost the environmentally friendly packaging through Industrial Regulations in Indonesia (RUU Perindustrian).

Alternatives to plastic packaging such as vegetable material or bio-plastic packaging have been welcomed by the market. Bio-plastic is made from biotic materials (i.e. corn, cassava or micro-biota) and the material is easier to decompose. A national water company, PT Aqua Golden Mississippi, is currently developing a water bottle from vegetable material. The Indonesian Nanotechnology Society is researching a thinner plastic bottle which can be decomposed in 4 to 8 weeks.



2 MARKET ENTRY AND DEVELOPMENT

2.1 Market Entry Strategies

Indonesia is a price sensitive market, but with the growth of the new generation of middle and high income consumers, the quality of products is of greater importance. Branded and high quality food and beverage products are in demand.

The middle high income segment is paying more attention to healthy products as the new generation becomes more health conscious. Indonesian consumers prefer internationally well-known brands and imported products, particularly for their children.

In 2010, the government approved a number of import licences for alcoholic beverages. There were previously only 2 companies with import licences but now more than 20 companies have secured a licence. To acquire an import licence, a company needs to have at least 20 brands in its portfolio.

It is recommended that New Zealand food and beverage products focus on Jakarta (with a population of 9.6 million), Surabaya (4 million) and Bali (4 million). Jakarta and Surabaya are big markets in their own right but are also distribution hubs to the east and western parts of Indonesia. Bali is a popular tourism destination and there is a demand for quality products from hotels and restaurants.

2.2 Points of Differentiation

New Zealand is known in Indonesia as a producer of fresh, clean, high quality and healthy products. However, the market holds little knowledge about the range of products New Zealand sells. New Zealand companies need to continuously promote the overall New Zealand image for the benefit of their products.

2.3 Long Term Strategic Issues for Exporters to Consider

Recently a number of new regulations were introduced, which are aimed at protecting local producers of horticultural, agricultural and dairy products. Political issues and corruption are still a major issue in doing business in Indonesia. All imported food and beverage products must be registered by Indonesia's National Agency for Food and Drugs Control (BPOM). New Zealand food and beverage exporters are advised to check with their Indonesian customers or partners what the exact process is. The specified time limit for BPOM to issue registration is 45 working days, but in the past it has taken 6-12 months.



2.4 Distribution Channels

The best market penetration strategy is to appoint a local importer who has an established network across Indonesia. This will enable New Zealand businesses to access the retail market and also the HORECA (hotel, restaurant and catering) markets. Importers will undertake the product registration on behalf of New Zealand companies. New Zealand companies must provide the necessary documentation including a letter of appointment for the Indonesian importer.

2.5 Pricing

New Zealand products face stiff competition from other imported products, particularly products from Asian countries. With the right pricing and product positioning strategies, Indonesian consumers are willing to pay for premium products.

Mark-ups for imported products will include:

- import agent fees
- custom duties
- value added tax (VAT) of 5-10 percent



2 MARKET RESOURCES AND CONTACTS

ASSOCIATIONS /ORGANISATION	WEBLINK
ASEAN New Zealand Combined Business Council	www.asean.org.nz
Halal Indonesia	www.halalindonesia.org/
The Federation of Islamic Associations of New Zealand (FIANZ)	www.fianz.co.nz/index.php
Indonesia National Agency of Drug and Food Control	www.pom.go.id
ASEAN Australia New Zealand Free Trade Agreement Guide	www.asean.fta.govt.nz
Ministry of Health Republic of Indonesia	www.depkes.go.id/en/
Directorate General of Customs & Excise	www.beacukai.go.id
TRADE EVENTS	WEBLINK
InterFood Indonesia	www.interfood-indonesia.com
Fish and Seafood Indonesia	www.fisheryandseafoodexpo.com
Agri Indo	www.agri-indo.com
Jakarta Fashion & Food Festival	www.jfff.info
OTHER NZTE PUBLICATIONS	WEBLINK
Indonesia Country Brief	www.nzte.govt.nz
Wine Market in Southeast Asia	www.nzte.govt.nz
Food and beverage in the hotel, restaurant and institutions market in Southeast Asia	/www.nzte.govt.nz

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- ⁱ Euromonitor International, 26 August 2011. *Indonesia: Country Profile*
- ⁱⁱ APNZ, 15 November 2011. *Indonesia to join regional FTA*. The New Zealand Herald. Retrieved from www.nzherald.co.nz
- ⁱⁱⁱ Euromonitor International, 9 August 2011. *Consumer Food Service in Indonesia*.
- ^{iv} Euromonitor International, 2011. *Market sizes, Indonesia*
- ^v Euromonitor International, February 2011. *Alcoholic Drinks - Indonesia*
- ^{vi} Euromonitor International, November 2010. *Packaged food - Indonesia*
- ^{vii} Business Monitor International, August 2011. *Indonesia Food & Drink Report Q4 2011*.
- ^{viii} Euromonitor International, April 2011. *Packaging - Indonesia*

