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Indonesia

Retail Foods

Retail Foods Update

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Report Highlights:
In 2018, Indonesia's imports of consumer-oriented agricultural products grew to $5.9 billion, an 8.5 percent increase from the previous year. Increasing urbanization and a growing middle-class suggest continued modern retail sector growth. Strong regional trade competition and a bureaucratic product registration process present challenges for market entry of U.S. products.

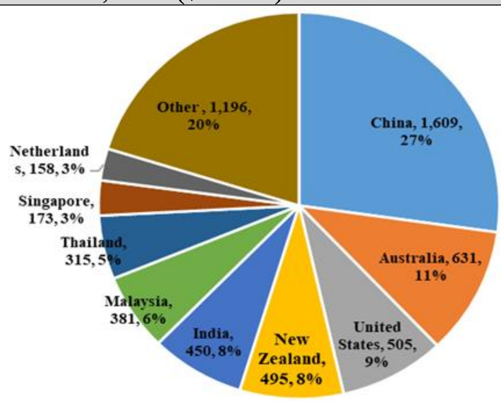
Post: Jakarta

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.

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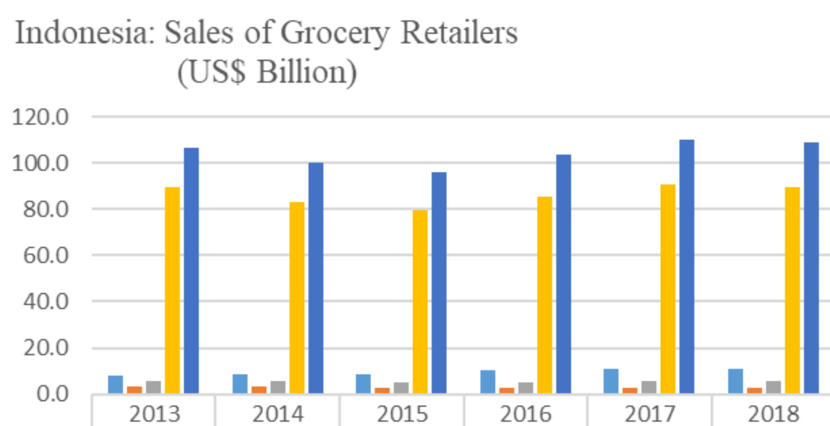
AgJakarta@fas.usda.gov /www.usdaindonesia.org

SECTION I. MARKET SUMMARY

Indonesia's grocery retail sales exceeded $100 billion in 2018, the highest in Southeast Asia. Although growing, modern retail outlets and convenience stores still account for less than 20 percent of total sales. Demographic trends, including increasing numbers of young, urban and educated consumers with rising incomes, are rapidly changing the retail landscape. Products that cater to an on-the-go lifestyle or offer health benefits are increasingly sought after.

Retail competition is fierce as most supermarkets, hypermarkets and convenience stores have their own private label brands for packaged foods ranging from snacks to butter to bottled water. All imported retail products must be registered by the importer with BPOM (Indonesia's Food and Drug Agency). The process can be lengthy causing importers with limited resources have to be selective in which products they choose to work with. Most retailers do not import directly, instead relying on distributors and / or importers for most products. Establishing a retail product in Indonesia can be difficult, however those companies that are patient and persistent are often rewarded with significant category market share and margins due to the lack of competition.



	2013	2014	2015	2016	2017	2018
Convenience Stores	7.9	8.3	8.6	10.2	10.9	11.0
Hypermarkets	3.3	3.2	2.9	2.9	2.8	2.6
Supermarkets	5.6	5.5	5.1	5.3	5.5	5.4
Traditional Grocery Retailers	89.6	83.2	79.3	85.2	90.6	89.8
Total Grocery Retailers	106.4	100.3	95.9	103.7	109.9	108.8

Source: Euromonitor 2018

Retail Sales Value of Packaged Food, Soft Drinks and Alcoholic Drinks (US$ million)

Category	2013	2014	2015	2016	2017	2018
Packaged Food	24,268.7	24,492.3	23,905.5	26,753.4	28,256.8	28,211.1
Cooking Ingredients and Meals	2,271.2	2,319.7	2,207.7	2,447.1	2,626.4	2,620.1
Dairy Products and Alternatives	5,044.9	5,051.7	5,045.2	5,647.6	6,006.7	6,073.9
Snacks	5,161.2	5,145.5	4,712.9	5,331.5	5,490.6	5,400.5
Staple Foods	11,791.3	11,975.4	11,939.7	13,327.2	14,133.1	14,116.7
Soft Drinks	6,723.5	6,824.7	6,699.5	7,444.0	7,484.9	7,194.0
Alcoholic Drinks	733.7	732.8	527.1	590.3	644.0	657.1
Beer	618.2	618.6	436.0	487.8	523.8	531.9
Cider/Perry	1.4	1.7	2.5	3.8	4.5	5.1
RTDs	28.3	29.0	11.6	11.4	10.9	10.1
Spirits	24.0	25.7	26.1	34.5	49.3	53.3
Wine	61.7	57.7	51.0	52.9	55.5	56.6

Source: Euromonitor 2018

ADVANTAGES	CHALLENGES
Indonesia is the biggest market of retail food and beverages in Southeast Asia.	Unequal income distribution produces significant gaps in purchasing power for each region.
Modern retail outlets, especially convenience stores, are expanding throughout smaller cities outside Jakarta.	Geographical diversity (more than 17,000 islands) creates supply chain problems. Infrastructure is not equally distributed throughout the country.
U.S. retail food products are recognized as being of high quality.	Strong competition from ASEAN, China, Australia, New Zealand due to FTA advantages.
Imported food products are available in most modern retail outlets.	The penetration level of modern food retail is one of the lowest in Asia.
More demand for healthier packaged foods and frozen foods due to increasing urban demographics and busy lifestyles.	All retail food and beverages need to be registered at BPOM (Food and Drug Agency) and are only valid for five years.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The registration process for retail products in Indonesia necessitates as strong partnership with a local agent, distributor or representative. Exporters who are new to the market are encouraged to visit for face-to-face meetings. A good first step is to attend one of the main food and beverage trade shows held in Indonesia such as Food and Hotel Indonesia 2019, Food, Hotel and Tourism Bali 2020, and SIAL Interfood Indonesia 2019. Most retailers are not direct importers, therefore it is essential to establish a relationship with an importer with a distribution network aligned with targeted retail segments. In addition to GAIN Market Reports, USDA's U.S. Cooperator Market Development Program Participants and FAS Jakarta can provide a good starting point for companies seeking market information.

The following reports or websites also include useful information on import regulations and duties:

1. Food and Agricultural Import Regulations and Standards Report (FAIRS Annual Country Report) 2018
2. Food and Agricultural Import Regulations and Standards - Certification 2018
3. Tariffs and FTAs Information - Based on HS Code

Market Structure

Indomaret, Alfamart, Carrefour, Alfamidi and Hypermart are the top five retailers, with sales revenue accounting for 62 percent of the total market[1]. There are several premium supermarkets in Indonesia that target middle-upper class consumers such as Ranch Market, Food Hall, Grand Lucky and Kem Chicks. These higher-end supermarkets are located in Jakarta, Bandung, Bali and Surabaya and sell majority imported food products. Please see our previous report Indonesia: Retail Foods Update - June 29, 2018 for additional information.

Company Profiles & Top Host Country Retailer

Grocery Retail Outlets by Channel in Indonesia

Category Channel	2013	2014	2015	2016	2017	2018
Modern Grocery	21,942	26,194	28,373	31,568	34,362	35,635
Convenience Stores	20,408	24,555	26,753	29,916	32,659	33,889
Hypermarkets	266	291	301	311	326	346
Supermarkets	1,268	1,348	1,319	1,341	1,377	1,400
Traditional Grocery	4,564,555	4,586,346	4,593,483	4,589,788	4,574,208	4,546,222
Total Grocery Retailers	4,608,439	4,638,734	4,650,229	4,652,924	4,642,932	4,617,492

Source: Euromonitor 2018

Retailer Name and Outlet Type	Sales Revenue in 2018 ($million)	No. of Outlets (2018)	Locations
PT Indomarco Prismatama Indomaret (mini-market / convenience store) • Has 30 Distribution Centers with more than 100 delivery vehicles. • Pioneer in chained minimarket/ convenience stores. • Easily found in housing area, public facilities	5,027	16,366	Nationwide

[1] Data based on Euromonitor report on Retailing in Indonesia 2018

and office buildings.			
PT Sumber Alfaria Trijaya, Tbk Alfamart & Alfamidi (mini-market / convenience store) • Serving more than 4.1 million customers every day. • Has 32 warehouses throughout Indonesia • Product mixing: 72 percent food and 28 percent non-food. • Has more than 400 active suppliers and 4,000 product SKU's.	4,773	15,209	Nationwide
Trans Corp (PT Trans Retail Indonesia) Carrefour, Transmart and Groserindo (Hypermarket/Supermarket) • Located in larger cities. • The store is combined with department store. • Mostly selling local products.	N/A	113	Nationwide
PT Matahari Putra Prima, Tbk Hypermart (Hypermarket) Foodmart (Supermarket) • Located in larger cities. • Has three Distribution Centers for 71 cities in 33 provinces.	587.6 61.4	107 24	Nationwide
Hero Group Giant and Hero (Hypermarket and Supermarket) • 80 percent sales generated from food. • Hero offers premium goods, fresh local products and international brands, while Giant offers products at affordable prices. • Located in larger cities.	733.3	174	Nationwide
PT Supra Boga Lestari, Tbk Farmer's Market (Supermarket) Ranch Market (Supermarket) • One of the leading premium supermarkets in Indonesia. • Serving middle-upper class market. • Sales of fresh products contribute more than 40 percent of net revenue.	97.9 69.4	22 15	Jakarta, Surabaya, Malang, Balikpapan and Samarinda

Source: Company website, annual report and trade interview

SECTION III. COMPETITION

The export value of U.S. agricultural and related products increased 5.3 percent to $3.4 billion in 2018, making it the largest exporter of such products to Indonesia followed by China, Thailand, Australia and Argentina.

In 2018 Indonesia's imports of consumer-oriented agriculture products grew to $5.9 billion, an 8.5 percent increase from the previous year. China, Australia and India are the main competitors of U.S. consumer-oriented agricultural products to Indonesia due to price, lower tariffs and proximity.

Competitive Situation for Selected Consumer-Oriented Products (2018)

Product Category	**Key Exporter Countries**	**Key Constraints to Market Development**	**Market Attractiveness for U.S.**
Fresh Fruit Quantity Imported: 604,857 T Value Imported: $1,200 M	1. China 65% 2. Thailand 9% 3. Pakistan 8% 4. The U.S. 5%	Two-step import licensing system often leads to delays in issuance of import recommendations and permits.	Increase awareness of healthy lifestyle. $1.2 billion market.
Fresh Vegetables Quantity Imported: 753,552 T Value Imported: $589 M	1. China 79% 2. India 9% 3. Netherlands 3.6% 4. New Zealand 3.6%	Transit time from U.S. limits trade opportunities for fresh vegetables.	Lack of domestic production for garlic, onion, shallot and potatoes.
Beef and Beef Products Quantity Imported: 210,673 T Value Imported: $724 M	1. Australia 49.5 2. India 37.8% 3. New Zealand 6.1% 4. The U.S. 5.8%	For the last three years, Indian buffalo beef has increased significantly, brought by the GOI to stabilize beef price in the market.	• Shortage of local production. • Hotels, restaurants and supermarkets all sell mostly imported beef.
Processed Vegetables Quantity Imported: 100,788 T Value Imported: $724 M	1. China 28.9% 2. The U.S. 25.4% 3. Belgium 14.8% 4. Netherlands 14.2%	Most imported products under this category (e.g. french fries, onion powder and paste) must be registered at BPOM.	• Demand for imported french fries has been growing at an average annual rate of 10 percent for the last five years. • U.S. french fries hold

			significant market share (35 percent).
Processed Fruits Quantity Imported: 79,334 T Value Imported: $138.6 M	1. Egypt 25% 2. China 16% 3. U.A.E 10% 4. Tunisia 7%	Most imported products under this category (e.g. jams, dates, canned fruits) must be registered at BPOM.	• U.S. Medjool dates among the most popular with demand increasing significantly since 2014. • Demand for raisins and other dried fruits is growing due to consumer health trends.
Snack Foods Quantity Imported: 36,902 T Value Imported: $119 M	1. China 36% 2. Malaysia 27% 3. Thailand 13% 4. Italy 5%	Producers in ASEAN and China have lower costs of production and preferential duties under existing FTAs.	Demand for healthy snack foods continue to increase.
Dog and Cat Food Quantity Imported: 90,390 T Value Imported: $92.6 M	1. Thailand 58% 2. France 18% 3. China 9% 4. Australia 2% 5. The U.S. 2%	Requires import recommendation and establishment approval, a lengthy process.	• Pet ownership has been increasing since 2013. • Millennials and expats in Jakarta, Surabaya, Bali and Bandung are the largest pet owners.
Tree Nuts Quantity Imported: 19,261 T Value Imported: $92.6 M	1. China 59% 2. Cote d' Ivoire 10% 3. The U.S. 9% 4. Vietnam 7%	Lack of proper storage may reduce quality of some imported products.	• U.S. almonds have the largest market share at 81 percent. • Almond imports grew 55 percent compared to 2017.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market, which have Good Sales Potential

1. Wheat
2. Cane sugar
3. Soybean
4. Rice
5. Corn
6. Garlic
7. Corn starch
8. Peanuts
9. Live cattle

10. Fresh fruit
11. Glucose
12. Ice cream
13. Meat
14. Soy sauce
15. Buttermilk
16. Sunflower seeds
17. Canary seeds
18. Dried fruits

Top 15 Consumer-Oriented Products Imported from the World

1. Garlic
2. Pears
3. Apples
4. Skim Milk Powder
5. Beef
6. Food preparation: non-dairy creamer, protein concentrates, flavoring preps.
7. Whey
8. Onions and shallots
9. Grapes
10. Dog and cat food
11. Mandarins
12. Malt extract
13. French fries
14. Dates
15. Sauces

Top 15 Consumer-Oriented Products Imported from the United States

1. Skim Milk Powder
2. Apples
3. French Fries
4. Wey
5. Lactose & lactose syrup
6. Grapes
7. Food Preparation: non-dairy creamer, flavoring preparation, food supplements, yeast etc.
8. Meat
9. Onion powder
10. Dog and cat food
11. Cheese
12. Almonds
13. Raisins
14. Oranges
15. Peas

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

1. Wine
2. Almonds
3. Figs (fresh or dried)
4. Beverage: juice/ concentrate
5. Dried fruits: prunes, cherries
6. Fresh cut flowers
7. Fresh fruits: cherries, avocado, peaches, raspberries/ blackberries/ blueberries
8. Prepared of swine luncheon meat
9. Baby food

Product 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 Agencies

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**
  Tel: +6221-782-4669 Fax: +6221-780-6309
  Homepage: http://tanamanpangan.pertanian.go.id/

- **Directorate General of Horticulture**
  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)**
  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)**
  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
  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**
  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)
  Tel: +6221-8087-7955

- **National Agency of Drugs & Food Control (BPOM)**
  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)**
  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)**
  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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U.S Embassy
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