AUSTRALIAN FOOD & GROCERY COUNCIL

Strategic country update: Indonesia

26 July 2023

Agenda

Topic	Presenters	Organisation
Update on the bilateral relationship and trade agreements with Indonesia	Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Indonesia Branch | Southeast Asia Maritime Division Troy Crystal, Assistant Director | Bilateral Free Trade Agreements Section, FTA Policy and Economic Cooperation Branch | Free Trade Agreements and Stakeholder Engagement Division	Department of Foreign Affairs and Trade
Navigating the Indonesian Market and key trends and opportunities for Australian Exporters	Anirudh Pamidimukkala, Project Manager Hannah Wade, Trade and Investment Commissioner, Indonesia	Altios International Australian Trade and Investment Commission (Austrade)
Update on Indonesian halal law implementation and Indonesia's honey establishment listing requirements	Marshall Clarke | Assistant Director, Food and Organics Export Standards | Exports and Veterinary Services Edward Harvey, Director | Non-Prescribed Goods	Department of Agriculture, Fisheries and Forestry
Questions and panel discussion		

Housekeeping

Webinar and presentation slides

COMPETITION CAUTION

The AFGC requires that participants at this meeting must not enter into any discussion, arrangement or understanding that may, in any way, infringe applicable competition laws.

In particular, members and participants must not:

- *discuss or agree on prices, price changes or any element of price (including rebates, discounts, credit terms or surcharges),*
- *discuss or agree on bids or tenders, including who is bidding or not and on what terms;*
- *discuss or agree on the products they each supply or the quantity they supply;*
- *discuss or agree on marketing territories or the locations they supply;*
- *discuss or agree on the customers, suppliers or other third parties they deal with, or the terms on which they deal (with them including trading terms and conditions);*
- *exchange any non-public or commercially sensitive information relating to:*
    - *prices or price changes (including any element of price)*
    - *purchasing, production and supply chain strategy or capacity,*
    - *marketing, advertising or promotional strategy, or*
    - *profit, costs or revenues.*

Such topics must be avoided both in the formal meetings and in any informal discussions before, during or after meetings. Please keep discussions within the scope of the set agenda items as off-topic discussions may represent a compliance risk.

Participants are encouraged at any time to challenge any discussions that might contravene this statement.

AUSTRALIAN FOOD & GROCERY COUNCIL - JULY 2023

Navigating the Indonesian Market: Strategies and Insights

Strategize

Expand

Set up

Invest

Reveal your international potential

ABOUT INDONESIA

INDONESIA MARKET OVERVIEW

USD 1.39 T

GDP of Indonesia (2023)

5%

Forecasted GDP Growth Rate Post-Pandemic in Indonesia (OECD, 2023)

3.52%

Inflation Rate (Q1 of 2023)

277.70 Mil

Population In Indonesia (in 2023)

29.74 Y

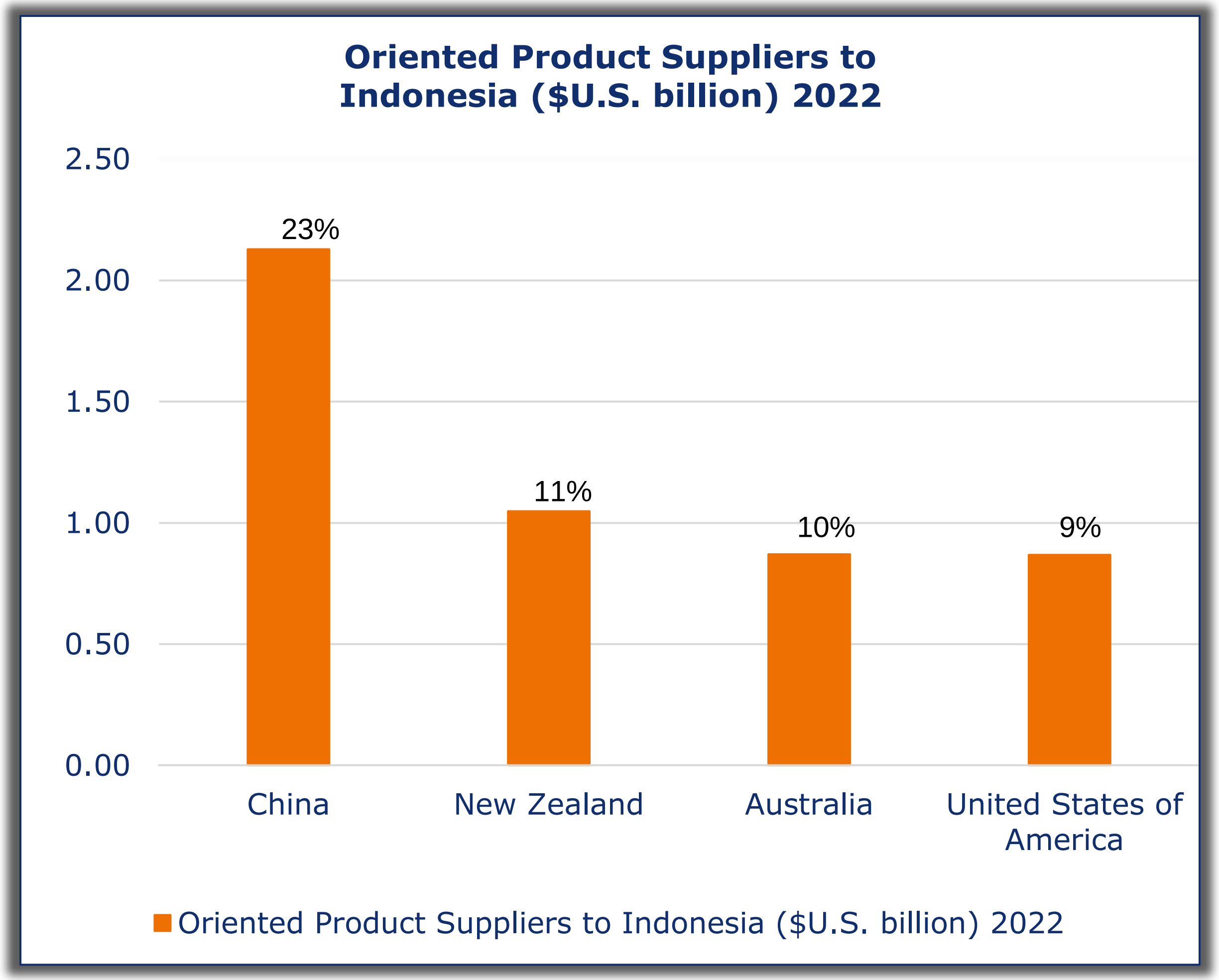
Average Age in Indonesia (in 2023)

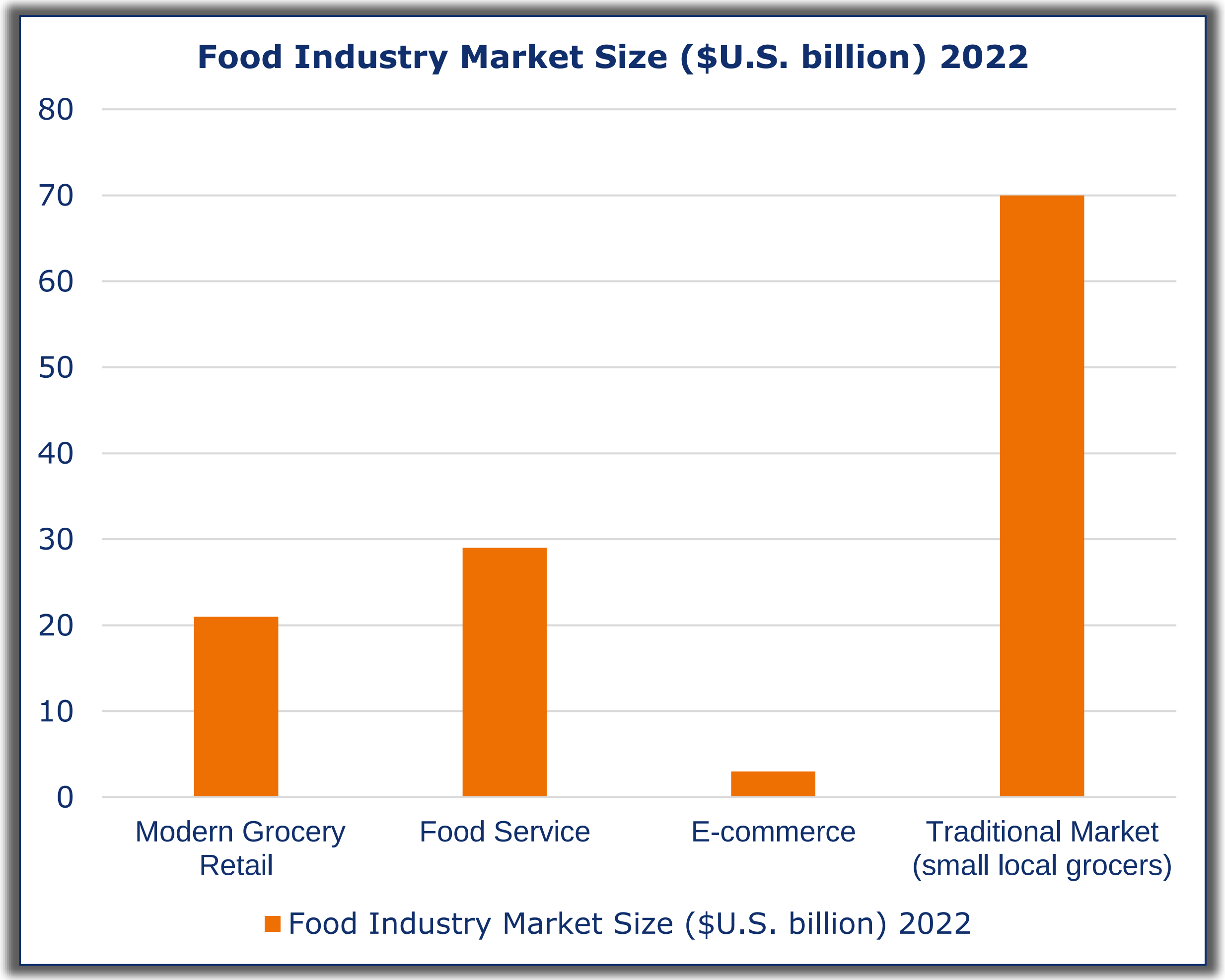
87.24%

Percentage of the Population that are **Muslims** (in 2023)

OPPORTUNITIES IN INDONESIA

INDONESIA FOOD INDUSTRY MARKET OVERVIEW



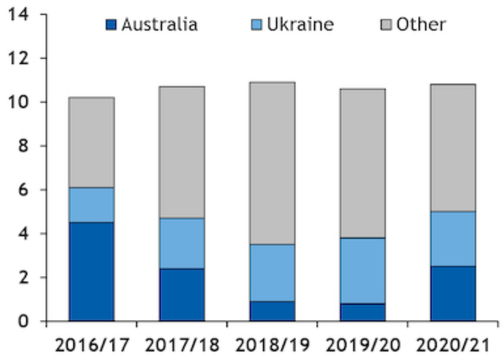


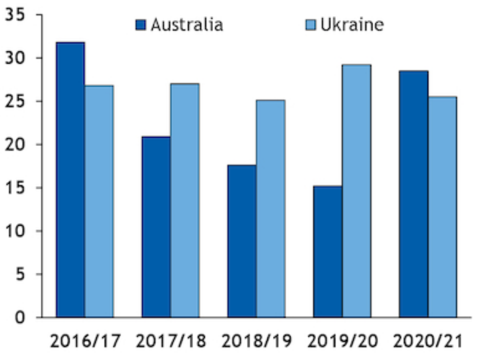
IMPORT IN INDONESIA

OPPORTUNITIES FOR AUSTRALIAN COMPANIES

Wheat

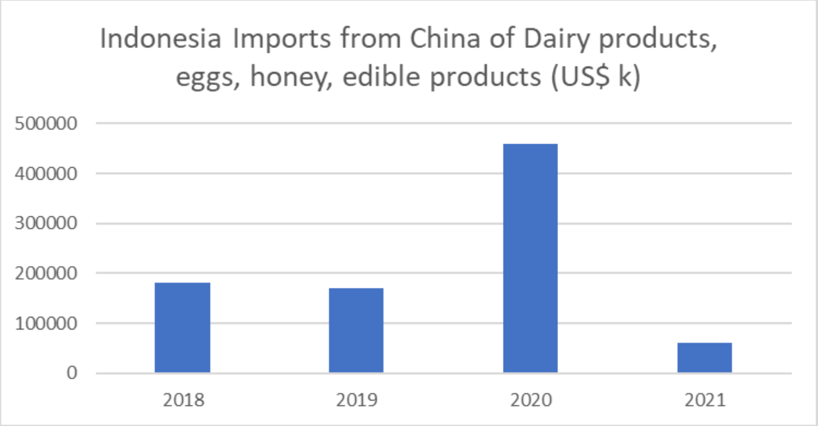
- In 2021 (OEC), Indonesia imported $2.98B in Wheat, becoming **the 3rd largest importer of wheat in the world** primarily from Australia ($1.36B), Ukraine ($640M), Canada ($516M), Argentina ($132M) and United States ($96.5M).





Process Food

- China has been one of the biggest trading partners for Indonesia in all aspects of trade, including processed food.
- Between 2020 and 2021, Indonesia's imports from China of sugars and sugar confectionery decreased approximately by **11.5%** and by **155%** for dairy products, eggs, honey and edible products markets



Opportunities Due to China

- As Chinese manufacturing faces issues due to **"balance sheet recession"** and deflation impacting their output. The impact may transcend to food exports as well.
- China's exports **declined 12.4%**, the most significant drop since February 2020. This decline in China's Food Process export may present an opportunity for many Australian companies.
- China accounts for **23% of all oriented products supplied to Indonesia in 2022**. In 2021, the market for processed products represents about 30% of food exported from China to Indonesia.
- This market share maintained by Chinese imports to Indonesia is teetering.

FOREIGN PRODUCTS IN INDONESIA

INDONESIAN CONSUMER PERCEPTIONS & BIGGEST COMPETITORS

Australia’s biggest competitors in the import food market include United States, Thailand, China, Malaysia, New Zealand and some smaller competitors are experiencing a significant growth as Brazil, South Korea, Vietnam

United States

- US food has **a significant presence Indonesia,** particulary through its popular fast-food chains. The US food is considered diverse, with rich flavor and adheres to safety standards.
- Younger generation in Indonesia embrace **American pop culture** (TV shows, social media), including its food trends, and appreciate the convenience of this food, as urban Indonesians are looking for **quick and accessible** dining options.

South Korea

- Korean foods is **gaining popularity** in Indonesia as ramyeon, gochujang, tteokbokki or Korean garlic cheese bread as Indonesia
- The Korean Food Industry Association to create the I Like K-Food zone in 2020 in where Korean foods were exported to Indonesia and sold at several supermarkets in the country.

Japan

- The **“Funwari” phenomenon** is growing which means that it is generating demand for their bread product that are considerate as soft and fluffy (that is mostly use on their branding message).
- Japanese culture has a strong influence in Indonesia in urban area which makes its cuisine attractive for its authenticity, **healthiness and umami favo**r; known as the "fifth taste"

MARKETING TO THE INDONESIAN CONSUMER

KEY TRENDS

HALAL

- Indonesia is recognised as the country with **the highest Muslim majority in Asia**, that impacts the consumer behavior as Muslims consumers are obligated to buy and use Halal products.
- The halal market is still growing, and businesses have many opportunities to tap into this sector as **the government focus** on its development
- The halal does not only include the product but **also the process** (transport, stored using) that does not have to be contaminated by haram foods

ECOMMERCE SECTOR

- Indonesia is **highly digitally-savvy** and receptive to technology. Take away or deliveries has increased during the pandemic but there is a drop of 48% post pandemic. Now, only 3% said that their channel preference was e-Commerce/Online.
- Sales transactions and customer communications commonly take place on **WhatsApp** and **LINE.**

SOCIAL MEDIA MARKETING

- Social media marketing is **essential** in Indonesia; all types of consumers are active users.
- Social media presence will help drive high consumer engagement and brand growth.
- **Youtube** is a crucial channel because it can be used to amplify promotional campaigns and educate consumers OLs (e.g. celebrities, social media influencers, online bloggers) strongly affect **consumers' purchasing decisions.**
- Indonesian influencers with a **connection to Australia** are key.

Online Marketing Channels

MARKETING TO THE INDONESIAN CONSUMER

KEY TRENDS

Local Marketing Trends

COOKING AT HOME

- Groceries and household items remain central to 2023 consumer spending intentions.
- **The home cooked food tendency** has increased post pandemic by 68% more.

HEALTH

- **Health and nutrition are** important factors for Indonesians when choosing products.
- **Physical wellness (70%),** planning for the future (64%) and mental wellness (60%) are the top tree priorities for Indonesian consumers.
- Consumers will also seek out **nutritional information & health claims** on packaging (e.g. gluten free, no preservatives, etc.) as they trust the packaging to be accurate.
- **Eat less sugar** as some sugar tax are being discussed, therefore anticipate with reduced-sugar beverage will register a strong sales growth.

LOCAL FOOD AND SUSTAINABILITY

- Regarding a survey of 1000 Indonesian aged 18+, **local food consumption** is considerate the most import criteria for 31%.

- Sustainability considerations also matter to Indonesian consumers, with 39% believing that buying from a brand that **supports/protects the environment** is the most important factor, and 15% considering the same for a brand that promises to **compensate workers fairly.**

WESTERN DIET

- The median age is estimated to be **31.0 years** old in 2025, will demonstrate signs of convergence towards a Western diet, which is typically characterized by increasing consumption of highly **dense energy and protein foods** (e.g. red meat and dairy products), while consumption of staples (e.g. rice) are reduced.

PERCEPTION FOR AUSTRALIAN PRODUCTS

CONSUMER OUTLOOK FOR AUSTRALIAN PRODUCTS

Provide unique market insights, advice, and exclusive recommendations for Australian exporters to:

- Develop a precise and relevant brand positioning
- Work better with local partners
- Understand the latest consumer trends and initiatives

Indonesian consumers perceive Australian products to be…

- Top quality due to Australia's reputation for pristine agricultural practices
- Healthier with **high standards of animal welfare and nutrition**
- High quality and stringent safety standards
- **Halal certified**

Case Study: Australian Bread

- Bread consumption is **around 4.7kg per year,** and it is expected that consumption will increase by 40.426% by 2030.
- Australian baked goods are **premium food** that typically requires relatively high protein wheat.
- The critical difference between the bread in Australia and Indonesia is the sugar and the fat in the bread, which makes Australian bread healthier.

Case Study: Australian Dairy Product

- The dairy product market worth close to US$1,842 million, and the exports have **increased by 33%** from 2018 to 2022.
- Dairy products from Australia are perceived as high-quality products, trustworthy sourced with health benefits.
- But they are also perceived as expensive and **in competition with local products** as the Indonesian dairy market also has its own local brands.

FINDING PARTNERS IN INDONESIA

KEY INSIGHTS

Key Recommended Platforms & Methods for Launching Australian F&B Products

Upscale grocery stores and specialist food retailers such as Ranch Market, The Food Hall and Grand Lucky Supermarket are **effective platforms to launch and promote** Australian-made products in Indonesia.

These outlets already stock a wide range of imported processed and fresh foods to the ideal consumer demographics

- Expats
- Higher income households
- Trend setters

Local and foreign players use the following methods to generate curiosity and incentivise shoppers to try new products

- Product sampling
- Promotional campaigns with giveaways
- Contest prizes

Jakarta's thriving restaurant scene is another potential gateway for Australian exporters to grow their sales and introduce their ingredients by featuring them as part of local and western dishes.

FINDING THE RIGHT LOCAL PARTNER

KEY INSIGHTS

Local buyers have **yet to understand** Australian products fully. Many importers and distributors have **not built long-term relationships** with Australian organisations.

According to in-depth trade interviews, the following are essential for successful partnerships

- Strong level of commitment
- Proactiveness
- Consistent quality
- Consistent stock supply
- Synergy
  - E.g. Access synergy – a large, established distributor with many brands in its portfolio may have less flexibility with a principal's terms and conditions than a smaller distributor that can be flexible, innovative, and willing to collaborate
- Chemistry

Recommendation

- Australian exports engage a business matching service provider to facilitate a thorough selection process to identify suitable buyers.

ALTIOS

Reveal your international potential

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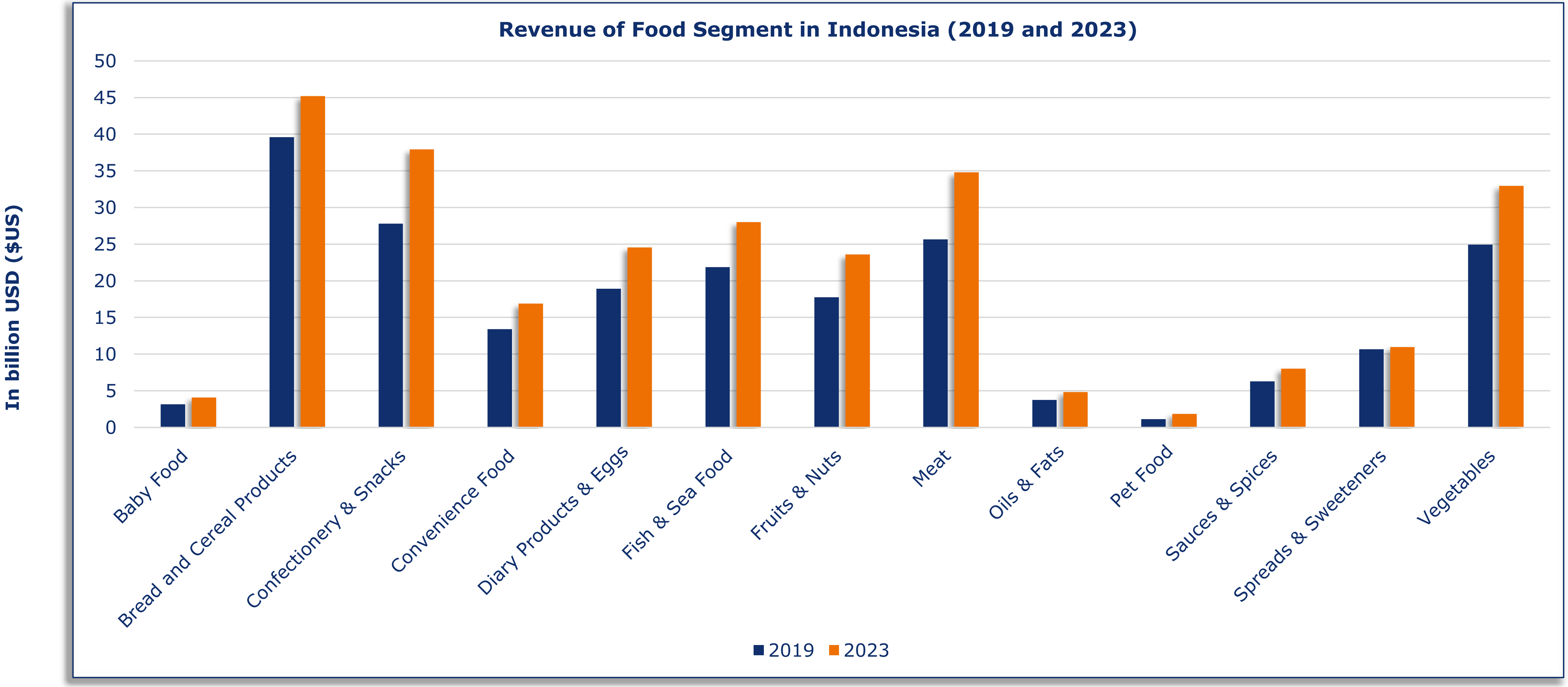
OPPORTUNITIES IN INDONESIA

REVENUE OF FOOD SEGMENTS



Australian Government
Australian Trade and Investment Commission

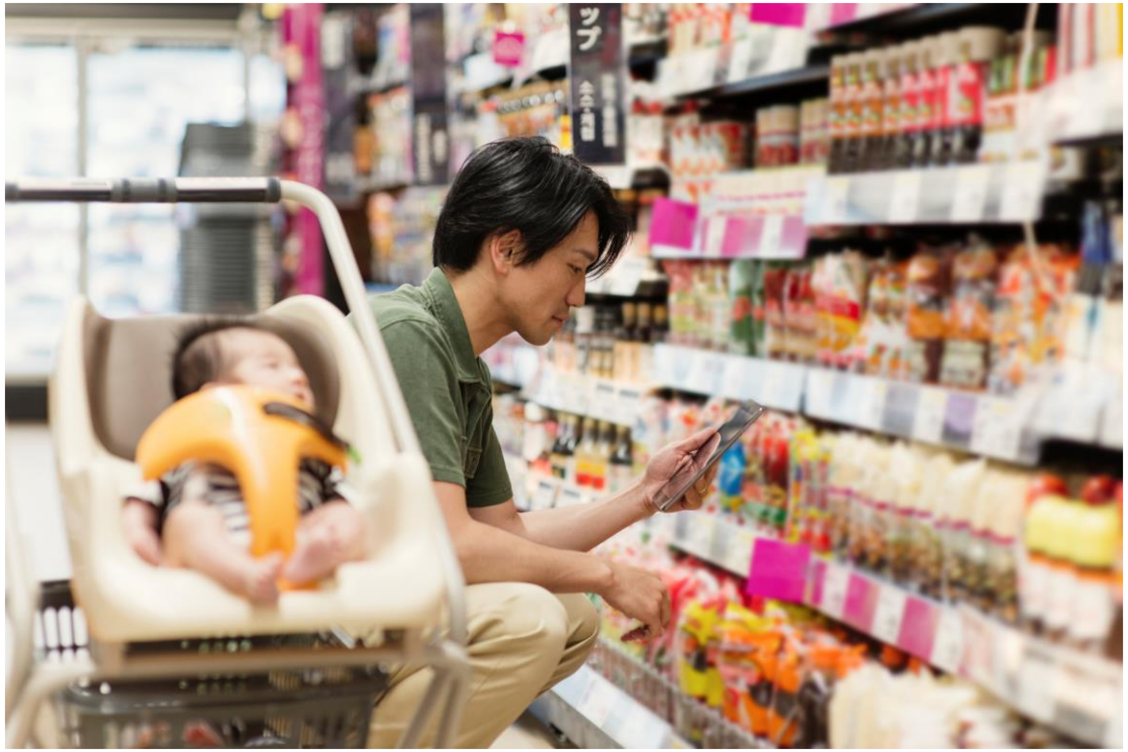
Food and beverage sector update: Indonesia

Hannah Wade
Trade and Investment Commissioner, Jakarta

July 2023

Key trends and drivers

Current trends



Rising interest in healthy lifestyles
Emerging middle class – higher spend for healthy options, particularly during pandemic

Increasing interest in 'western' food and experiences
But local tastes and palettes remain dominant – ‘fusion’ can be a good option

Rapid acceleration of digital economy
40 million new users online in 2020, bringing total internet users in the region to 400 million

Import regulations continue to pose some barriers

The ‘middle income’ growth projections

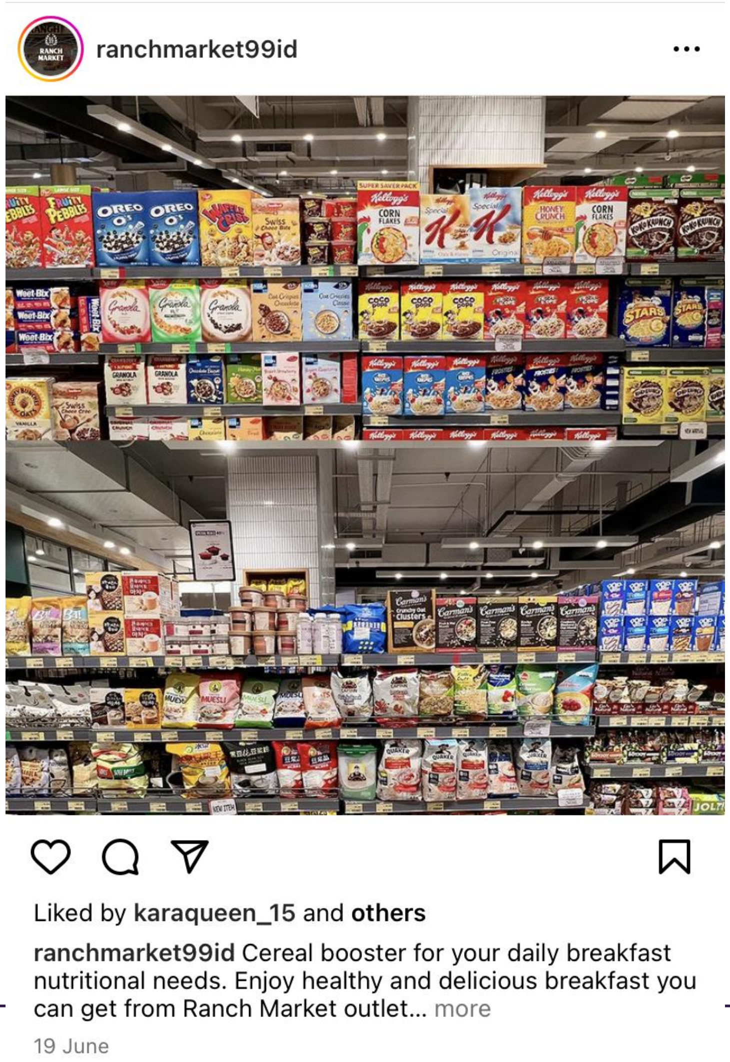
No. of households with a disposable income of > USD 35,000

	2021 (actual)	2040 (forecast)
Australia	7.68 million	10.14 million
Indonesia	1.46 million	**10.37 million**
Singapore	1.41 million	1.78 million
Vietnam	384,000	2.73 million
Malaysia	1.72 million	5.73 million

Source: Austrade Economics analysis; Euromonitor

Australia's positioning

- Reasonable recognition but somewhat limited to key products
  - Strong in fresh produce
  - Reasonable in breakfast cereals and lifestyle product categories
- Strong competition from Korean/Japanese products across categories, as well as EU, USA
- Push for 'buy local' increasing – competition from 'made in Bali' for lifestyle products



The rise and rise of social media

191.4 million
Social media users in Indonesia (2022)

67.5%
Users report researching brands online before making a purchase

For users who report research brands online as a primary source of information:

- 61% use social networks
- 57% use search engines
- 49% use consumer reviews
- 34% use brand websites

Sirclo's research data shows that **75% of Indonesian consumers now shop more online than offline.**

McDonald's BTS-meal frenzy sparks virus closures in Indonesia

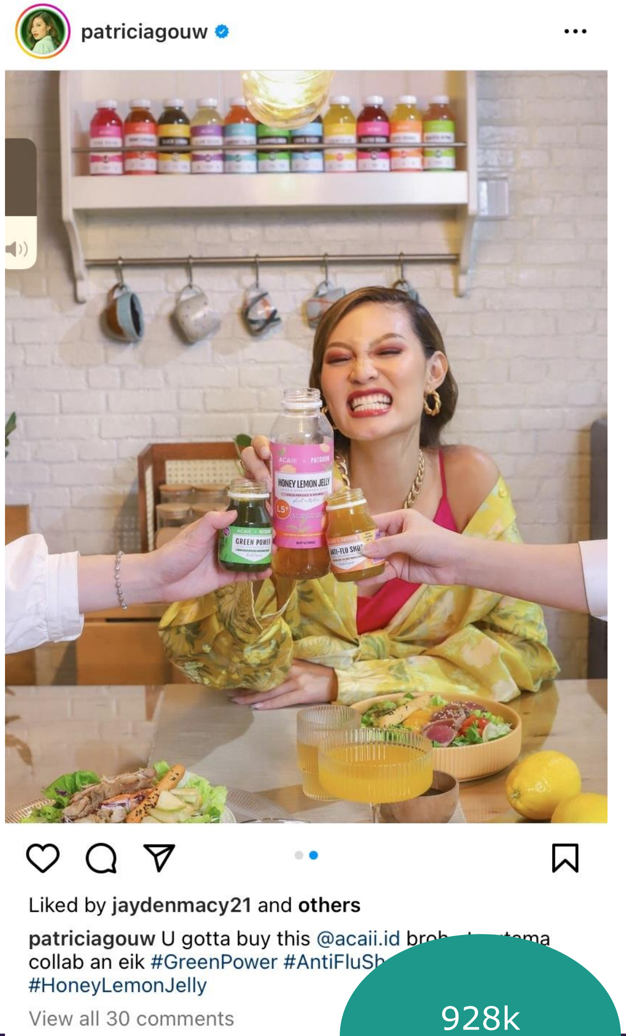
Food delivery riders queue up at a McDonald's outlet in Bogor on June 9, 2021, to buy the new BTS-meal deal for ungry fans in the K-Pop mad country, causing more than a dozen McDonald's outlets to temporarily shuttered over irus fears. (AFP/Aditya Aji)

73%
of food shoppers aged 18–34 years say they have made a purchase after seeing a creator/celebrity consume/prepare food products on social media
(DFAT Blueprint)

Source: We Are Social, *Digital 2022: Indonesia*

Influencers and brands

865k followers



928k followers

1.2 mil followers

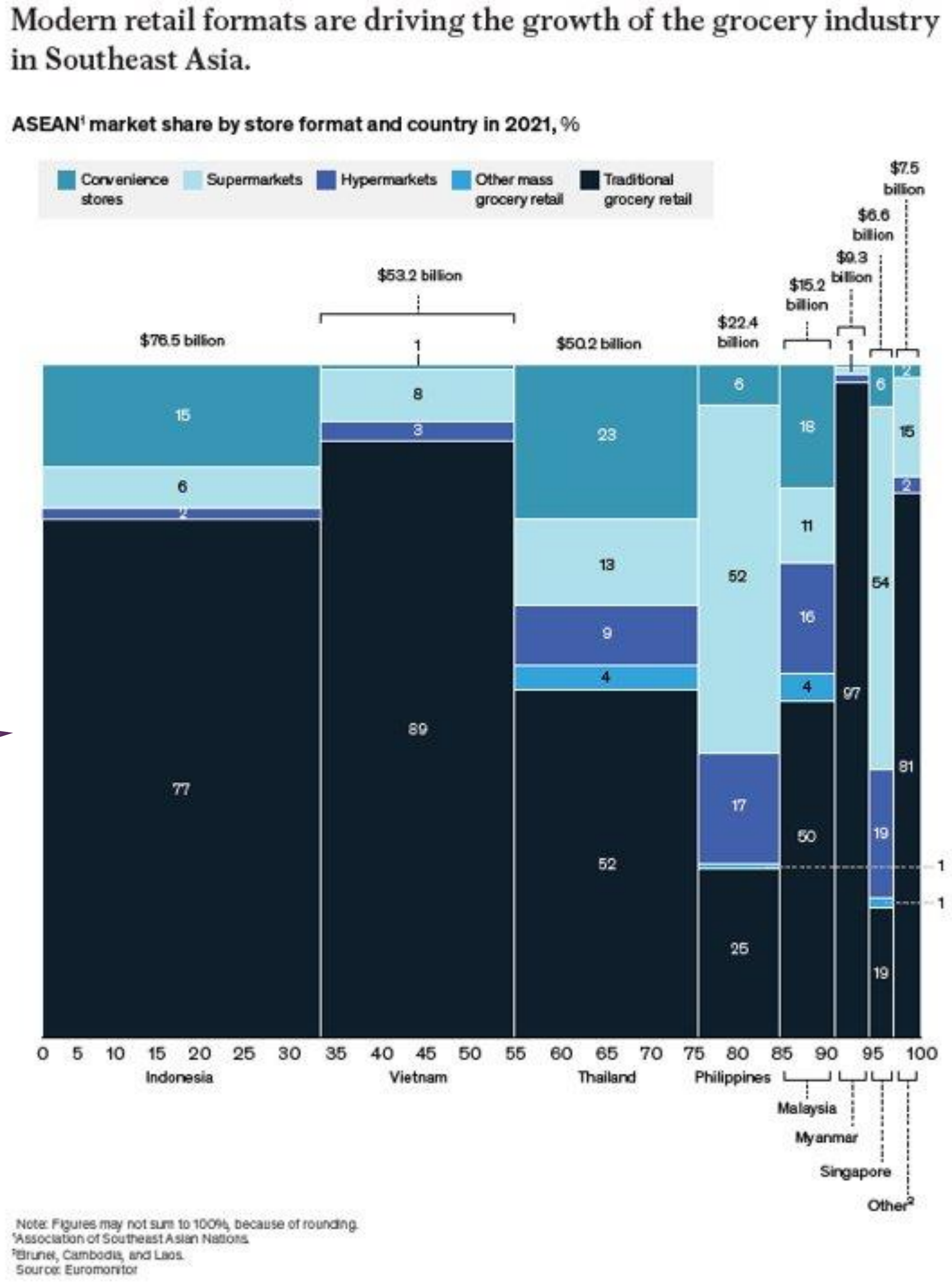
181k followers

Insights and forecasts

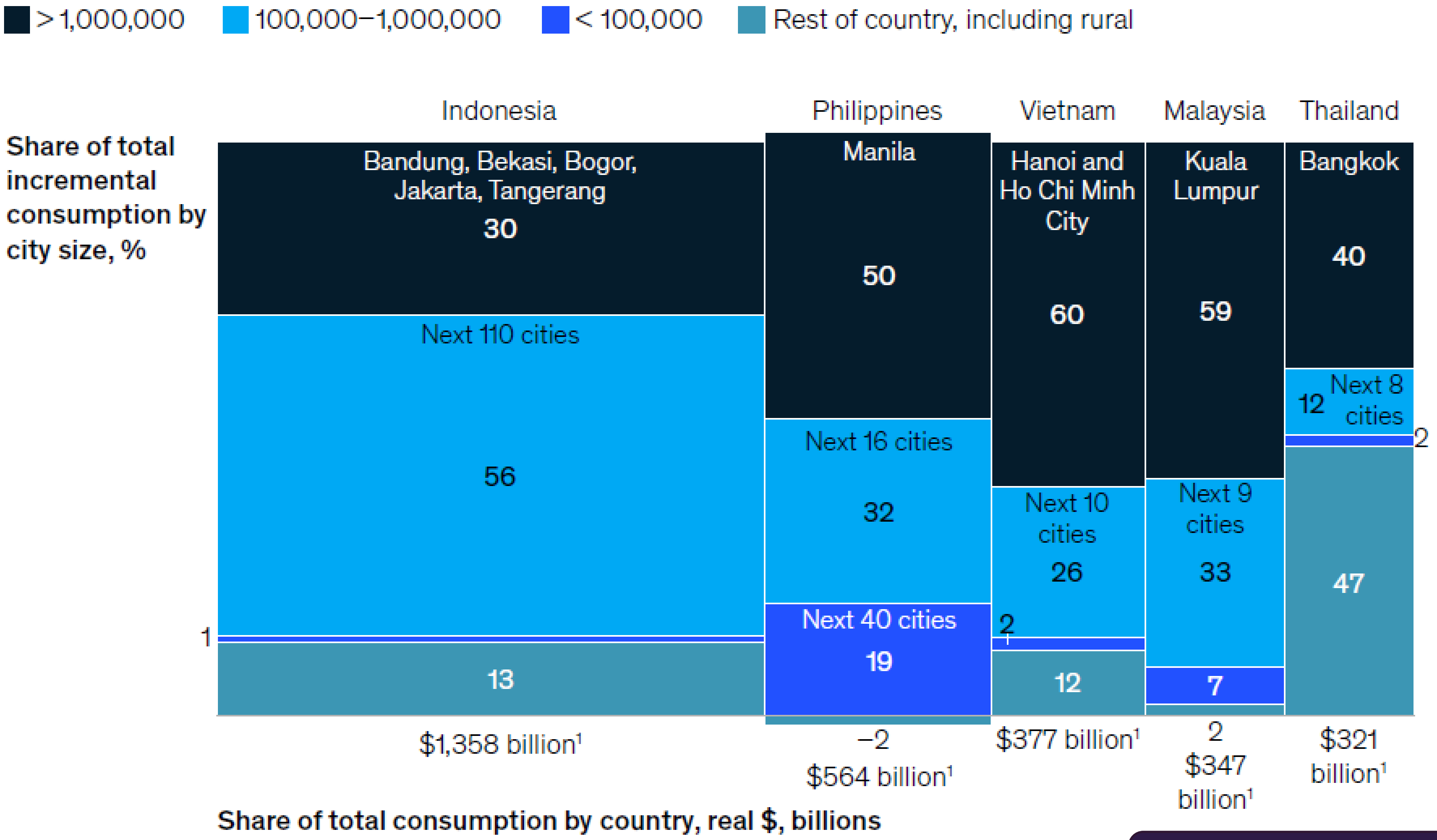
Source: McKinsey, State of Grocery in Southeast Asia, 2023

Traditional grocery retail remains the dominant channel (>75%) in Indonesia

Forecasts growth of modern retail in Indonesia at 8% from 2020-2025



Between 2020 and 2030, a significant share of incremental household consumption will come from outside tier-one cities.



Note: Cities ranked per number of households based on 2020 data. Figures may not sum to 100%, because of rounding.
[1]2015 US purchasing-power parity.
Source: McKinsey Cityscope

Source: McKinsey, State of Grocery in Southeast Asia, 2023

On the ground insights

OPPORTUNITIES

- Importers/distributors reasonably open to approaches on new products, particularly:
  - **Dairy** (noting pre-registration requirements)
  - **New, innovative or lifestyle products**
    - But must match consumer taste preferences; and shelf life preferences
- Importers travelling (i.e. Fine Food Australia), logistics appear smooth
- Food service sector very optimistic

86.1% of surveyed distributors (ASEAN) said they are currently reviewing new product opportunities, particularly **health food and organics**, but also, **non-alcoholic beverages, dairy products, snacks, cereals.**)

(INCITE Distributor Survey 2022)

ONGOING CHALLENGES

- Cold chain capacity (though improving continuously)
- Abrupt regulatory change
- Competitive environment for imported products

THINGS TO WATCH

- Consumers remain worried about economic downturns – or spending money on travel
- Supermarkets reporting sluggish growth – workers back in the office

88% identify as Muslim

51% reported eating halal compliant food all of the time

The difference we make

From aerospace to agribusiness, hydrogen to healthcare, tourism to tech, Austrade has the expertise to grow your business

Australian Government

Australian Trade and Investment Commission

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