MEAT & LIVESTOCK AUSTRALIA

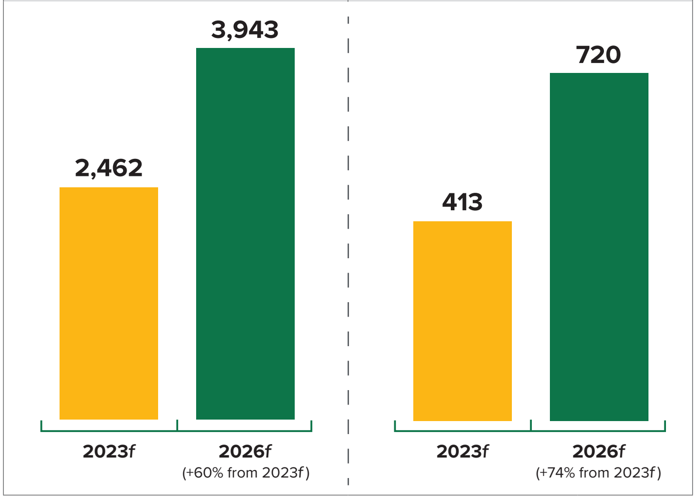
MARKET SNAPSHOT | BEEF & SHEEPMEAT

Indonesia

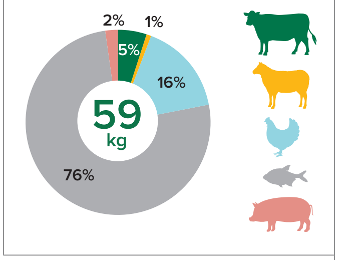
Indonesia has long been a major red meat and livestock trade partner for Australia. The country is now Australia's largest export market for live cattle and beef offal, and fifth largest for boxed beef. Australia's total red meat and livestock exports to Indonesia in FY2021–22 were valued at A$1.1 billion, representing 7% of Australia's total export value. While Australian live cattle exports have been impacted by recent disease outbreaks in Indonesia, heightened concerns about meat safety and provenance have seen greater demand for Australian boxed product, particularly from Indonesia's rapidly expanding, digitally-connected middle class.

Population[1]

Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

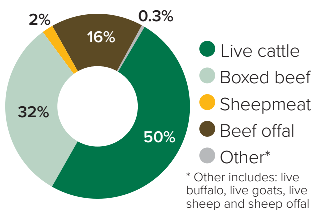


Annual grocery spend[4]

A$ **903.3** per person/year

Australian beef exports

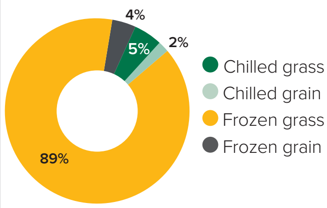
Australian exports – value[5]



* Other includes: live buffalo, live goats, live sheep and sheep offal

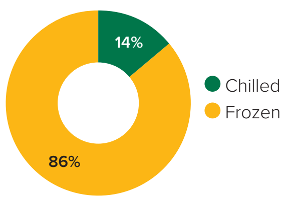
Total A$1.1 billion

Australian boxed beef exports – volume[6]



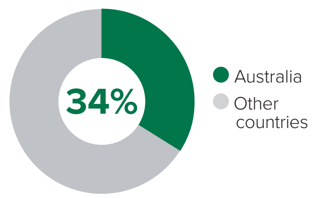
Total 39,171 tonnes swt

Australian boxed beef exports – value[7]



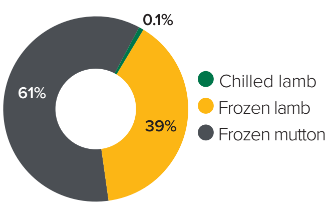
Total A$355.8 million

Australia's share of boxed beef imports– value[8]



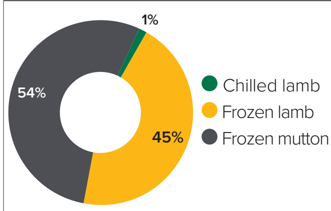
Australian sheepmeat exports

Australian sheepmeat exports – volume[6]



Total 2,130 tonnes swt

Australian sheepmeat exports – value[7]

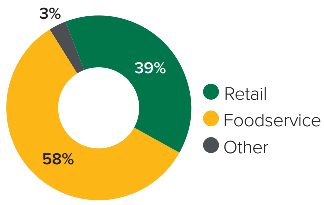


Total A$19.4 million

Australia's share of sheepmeat imports[8]

New Zealand 0.15% and Singapore 0.05%

Key distribution channels of Australian sheepmeat[9]



Data source for charts: [1,2] Fitch Solutions, [3] Fitch Solution (beef, pork, chicken, 2023f), Gira (sheepmeat and fish, 2022f), [4] IGD 2023f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] ABS/IHS Markit (2021–22), [6] DAFF (2021–22), [7] ABS/IHS Markit (2021–22), [8] IHS Markit (2021–22), [9] MLA market intelligence

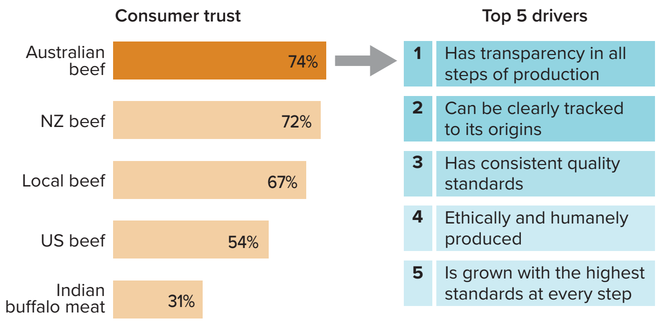
Beef

CONSUMERS

- Indonesia's per capita meat protein consumption is relatively low at around 21kg but is forecast to be the fastest-growing in the region at 3.3% annually to 2026, underpinned by rapid growth in the number of affluent households. Beef is an important source of protein in Indonesian diets, representing almost 15% of per capita meat consumption, the highest share in Southeast Asia *(Source: GIRA)*.
- The island of Java is home to over 50% of Indonesia's population but accounts for approximately 70% of the country's total beef consumption. MLA estimates that around 70% of Australian beef is consumed in the Greater Jakarta region.
- Beef is a popular meat in Indonesia, widely used in many different dishes with rendang (beef braised with coconut milk and spices), bakso (meatball) soup, or semur (beef stew) among the more famous traditional beef dishes.
- Australian beef has a positive association with sensory attributes like marbling and tenderness which are key to driving premium value for Indonesian consumers. With the presence of cattle diseases in Indonesia in 2022, attributes relating to safety and provenance are increasing in importance. Australian beef is well-placed to provide consumers with peace of mind due to existing perceptions of our robust and transparent production systems, traceability and consistency of high quality standards *(Source: MLA Global Consumer Tracker, Indonesia 2021)*.
- While beef spending softened in 2020 due to initial uncertainties caused by the pandemic, it returned to pre-pandemic levels in 2021. Indonesians are quite health conscious, with 60% saying they are at least 'quite concerned' about their health. Perceived as superior among proteins, beef can play a key role in supporting health and wellbeing.

Australian red meat is perceived to be able to meet these needs thanks to its strong safety, quality and nutritional credentials *(Source: MLA Global Consumer Tracker, Indonesia 2021)*.

Consumer trust in beef supplier and top 5 drivers of trust in Australian beef



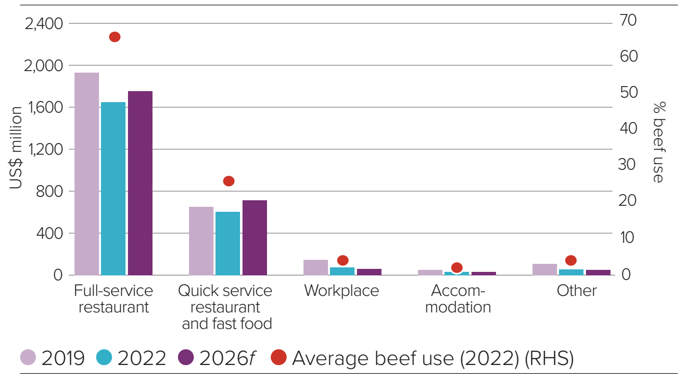
Source: MLA Global Consumer Tracker, Indonesia 2021

- Beef consumption spikes particularly during festive seasons such as Ramadan and Eid al-Adha. In 2022, eased restrictions on gatherings has allowed celebrations, driving demand for quality beef. Australian beef is highly regarded as a superior product, strongly associated with delicious taste and the ideal choice for special occasions with family and friends.
- Despite the significant impact of the pandemic on Indonesia's foodservice sector, demand for Australian grainfed beef actually grew, reaching a record of 2,123 tonnes swt in 2021–22, as the increasing number of affluent consumers sought to enjoy more quality beef experiences at home.

FOODSERVICE

- Indonesia has a vibrant and highly fragmented foodservice sector, with almost 95% of the market dominated by small, local independent restaurants. These restaurants typically utilise fresh beef from local and Australian cattle or frozen imported meat, including Indian buffalo meat.
- Dining out is increasingly an integral part of modern Indonesian life, led by millennial and generation Z consumers who make up over half of the population. This consumer segment aspires to experiment with new food trends and cuisines from different cultures. Post-lockdown, Indonesia's foodservice sector has continued to flourish with rapid expansion of many different kinds of restaurants and trendy new food hubs appearing in large cities. In particular, Japanese and Korean cuisines, western-style BBQ and steakhouses have all been growing in popularity.
- Similar to other parts of the world, Indonesia's foodservice sector was heavily impacted by the pandemic, with operators creating new ways to stay afloat. The foodservice sector recovered more quickly than anticipated and new partnerships, concepts and offerings have continued to emerge, from mobile restaurants, cloud kitchens to ready-cooked delivery and pre-prepared kits. Online delivery and takeaway have remained important revenue streams driven by the need for convenience and time-saving meal solutions of the busy urban middle class.
- Indonesia eased border restrictions in April 2022, enabling international visitors and tourism to resume their roles in contributors to beef import demand, particularly in the high-end segments.

Foodservice sales and beef usage estimate by channel

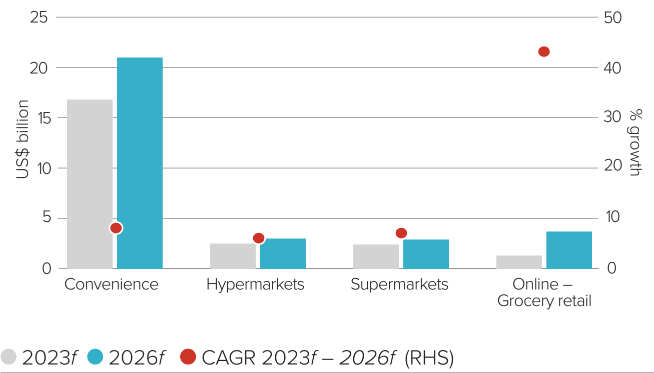


Source: GlobalData

RETAIL

- Indonesia's retail sector is also highly fragmented, with traditional channels making up approximately 88% of the sector. Modern retail is expanding, and expected to continue to grow market share in the coming years.
- Wet markets remain an important distribution channel for beef in Indonesia. Consumers purchase beef most frequently from wet markets. This is partly driven by the perceived freshness of beef sold in wet markets and Indonesian consumers' preferences for hot meat and their habit of cooking from fresh ingredients purchased on the day. The majority of Australian cattle imported into the country are channelled into wet markets as hot carcases, with around 10% sold into modern retail outlets.
- In Greater Jakarta, consumers generally visit multiple retail channels, from modern to traditional, to purchase beef. Australian boxed beef is sold across a range of different retail channels, with supermarkets and hypermarkets being the most common places of purchase.
- Indonesia is undergoing rapid urbanisation, with the number of modern retail outlets increasing across the country. The expansion of modern retail to second-tier cities in Java such as Surabaya, Bandung and Semarang offers a chance to further grow Australian beef beyond the Greater Jakarta region.
- There has been an emerging trend towards modernisation and premiumisation in the meat retail space across Greater Jakarta, driven by a number of leading meat importers and distributors opening up their own butcher shops and offering a range of high-quality meat products including both locally slaughtered and imported beef products.
- Online grocery retail saw accelerated adoption during the pandemic restrictions. This trend is expected to continue to increase tenfold by 2024 driven by the younger affluent consumers who are digitally savvy and favour the ease of online and convenience store shopping, dominated by Indomaret and Alfamart *(Source: IGD)*.

Grocery retail sales by modern retail channel* forecast

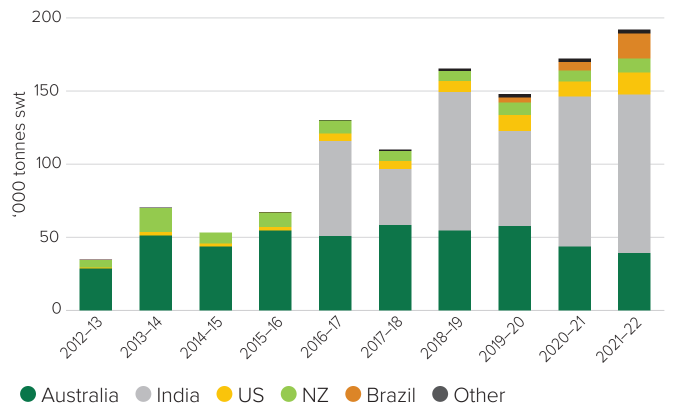


*Source: IGD, *excluding traditional channels and other modern retail*

COMPETITIVE LANDSCAPE

- Indonesia's beef industry meets around 60% of domestic market demand. A proportion of its production system relies on imported feeder cattle from Australia, which are finished in local feedlots and processed in local abattoirs. High Australian cattle prices and feed costs have added significant pressure on enterprises as input cost rises cannot be fully passed on to consumers due to the Indonesian Government's retail beef price ceiling policy* aimed at ensuring beef affordability for consumers.
- The reduction in activity on feedlots in recent times has benefited boxed imports, particularly from lower cost suppliers. In efforts to limit price rises, the Indonesian government is diversifying its supply sources by importing larger volumes of Indian buffalo meat and Brazilian beef.
- In FY2021–22, Indonesia imported a record volume of 192,906 tonnes swt of boxed beef. India was the largest supplier, accounting for 56% of the volume, followed by Australia with 20%.
- Australia plays an important role in satisfying growing demand for quality beef in Indonesia. Combining boxed beef and live cattle, Australia contributes approximately 30% to Indonesia's total beef consumption (see 'Australian Live Cattle Exports' for more on live exports).
- Despite the pandemic and high cattle prices in Australia, Indonesia remains a resilient trade partner, importing 39,171 tonnes swt of Australian boxed beef in the financial year 2022, and making Australia the second largest supplier.
- Similar to 2021, in 2022 the Indonesian government allocated 100,000 tonnes for Indian buffalo meat imports, of which about 80% was filled in the first seven months of 2022. Imports are anticipated to continue to be strong, driven by the pressure of high prices for Australian cattle, high global beef prices and India's growing export capacity.
- Brazil has expanded beef exports to Indonesia after regaining access to the market in August 2019. Since 2020, Brazil has not filled its market allocation of 20,000 tonnes swt due to high demand from other more profitable markets. However, in 2021–22, volumes from Brazil increased over 300% to 17,438 tonnes swt and are expected to maintain momentum, with more processing plants expecting to gain approval.
- With recent regulatory changes and the change in Indonesia's foot-and-mouth disease status, private importers can potentially directly import Indian buffalo meat and Brazilian beef – something previously conducted by Indonesian government enterprises.
- Import volumes from other beef suppliers increased in 2021–22 – up 54% to 15,282 tonnes swt from the US and up 23% to 9,316 tonnes swt from New Zealand.
- Boxed beef imports are expected to play a more significant role in the Indonesian market since the outbreaks of lumpy skin disease and foot-and-mouth disease in Indonesia in 2022 have seen cattle importers reducing imports to manage risk.

Indonesia beef imports by supplier



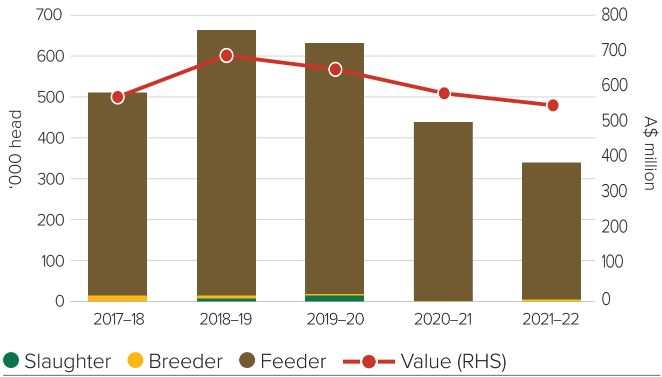
Source: IHS Markit, Australian Fiscal Year

**Ref: MoT regulation 7/2020*

AUSTRALIAN LIVE CATTLE EXPORTS

- Indonesia is the largest market for Australian live cattle exports, accounting for approximately 56% of export volume in 2021–22.
- High international prices combined with tight Australian supply has squeezed Indonesian importers and softened demand. Australia is in a herd rebuilding phase following a period of severe drought, driving strong domestic demand that sustains high prices and competes with live exports. However, Indonesia is one of Australia's most resilient cattle markets, with exports of 339,304 head in 2021–22, down 23% year-on-year, but less so compared to Australia's total export average being 32% lower.
- The outbreaks in Indonesia of lumpy skin disease and foot-and -mouth disease are creating uncertainties around import demand for Australian cattle in 2022. The effectiveness of the vaccination program and containment measures are critical to minimising impact on trade.
- Beef derived from Australian live cattle in Indonesia is mostly sold through wet markets – an increasingly competitive channel due to the growing penetration of cheaper products, including Indian buffalo meat and Brazilian beef. Wet market shoppers are typically price sensitive, hence sellers favour frozen Indian buffalo meat over fresh beef when prices are high *(Source: APDI/MLA Survey, 2018)*.
- Under the Indonesia-Australia Comprehensive Economic Partnership Agreement (AI-CEPA) agreement, in 2022 Australia has an Indonesia access quota of 621,920 head of male cattle at a 0% tariff rate. Volumes are expected to expand around 4% per year to reach 700,000 head.

Australian live cattle exports to Indonesia



Source: DAFF, Australian Fiscal Year

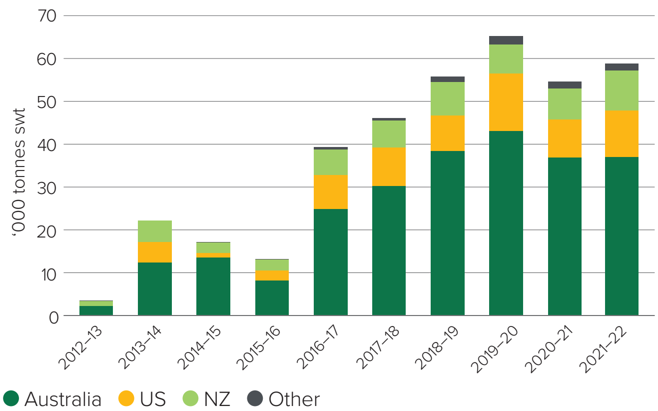
AUSTRALIAN BEEF OFFAL EXPORTS

- Beef offal is popular in Indonesian cuisine, widely used across the household, foodservice and manufacturing sectors. For example, tongue is one of the most popular cuts used in a variety of local dishes, while tongue root is used in processed food products.

Beef and offal Coto Makassar

- Indonesia has significantly increased its beef offal imports since 2016. After some decline in 2020–21 due to the pandemic, Indonesia imported its second largest ever volume in 2021–22, totalling 59,063 tonnes swt. Australia is the largest supplier, accounting for 63% of total import volume. Tongue is by far the most sought-after cut, followed by heart, lungs and liver.
- Indonesia has been Australia's largest export market for beef offal products for the past five years, worth A$180 million in 2021–22. Tight Australian supply has reduced volumes in recent times.

Indonesia beef offal imports



Source: IHS Markit, Australian Fiscal Year

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN – Australia New Zealand Free Trade Agreement **(AANZFTA)** Indonesia-Australia Comprehensive Economic Partnership Agreement **(IA-CEPA)**	**Boxed beef: 0%** except 2.5% for frozen with bone-in, removed by 1 January 2023 **Live cattle: 0%** 0% for male cattle within quota (621,920 head, reset on 1 January 2023), **2.5% out of quota;** 0% for all other product lines	**India (buffalo meat):** India-ASEAN FTA 5% tariff **Brazil and US:** No FTA 5% tariff	Volumes managed by the Indonesian government's import permit system	Indonesia maintains import regulations in accordance with Halal requirements Highly regulated market, with complex import conditions and regulations The government controls type of meat and offal products that can be imported into the country

Best access – Major challenges

Source: Trade agreements, DFAT, WTO

Australian beef exports to Indonesia – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average %	change 2021–22 vs five-year average in tonnes swt
Total		**39,171**		**43,585**		**52,941**		**-26%**	**-13,770**
Storage	Chilled	2,751	7%	4,673	11%	4,303	8%	-36%	-1,552
	Frozen	36,420	93%	38,913	89%	48,638	92%	-25%	-12,218
Meat type	Grassfed	37,047	95%	41,845	96%	51,767	98%	-28%	-14,720
	Grainfed	2,123	5%	1,740	4%	1,174	2%	81%	950
Storage/meat type	Chilled grassfed	2,152	5%	4,313	10%	3,781	7%	-43%	-1,629
	Chilled grainfed	599	2%	360	1%	522	1%	15%	77
	Frozen grassfed	34,895	89%	37,532	86%	47,986	91%	-27%	-13,091
	Frozen grainfed	1,525	4%	1,380	3%	652	1%	134%	873

Source: DAFF; figures are rounded

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
Total		**355,834**		**287,431**		**328,327**		**8%**	**27,507**
Storage	Chilled	49,516	14%	48,644	17%	48,165	15%	3%	1,350
	Frozen	306,318	86%	238,787	83%	280,162	85%	9%	26,156

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Manufacturing	15,451	39%	17,037	39%	17,530	33%	-12%	-2,080
Brisket	6,408	16%	6,188	14%	6,201	12%	3%	207
Thick flank/knuckle	3,223	8%	4,584	11%	6,798	13%	-53%	-3,575
Other	14,089	36%	15,777	36%	22,411	42%	-37%	-8,322
Total	**39,171**		**43,585**		**52,941**		**-26%**	**-13,770**

Source: DAFF

Australian beef offal exports to Indonesia (in tonnes swt)

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Manufacturing	11,186	35%	10,778	32%	10,476	34%	7%	710
Heart	4,756	15%	5,180	16%	5,020	16%	-5%	-263
Lungs	4,673	15%	5,453	16%	3,642	12%	28%	1,031
Other	11,089	35%	11,929	36%	12,101	39%	-8%	-1,012
Total	**31,705**		**33,340**		**31,239**		**1%**	**466**

Source: DAFF

Value of Australian beef offal– in A$ 000

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
Total	**179,822**		**122,390**		**95,709**		**88%**	**84,113**

Source: ABS/IHS Markit

Australian live cattle exports to Indonesia

	2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	change
Volume – in head	339,304		439,054		555,890		-39%	-216,586
Value – in A$ 000	554,051		583,889		627,162		-12%	-73,111

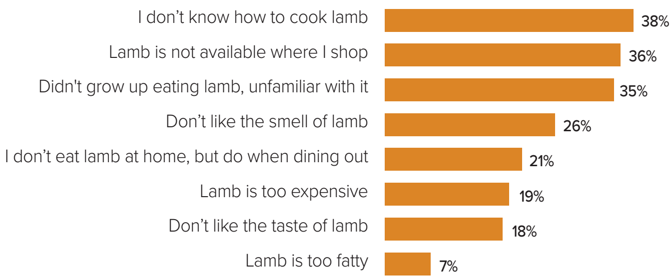
Source: DAFF, ABS, IHS Markit

Sheepmeat

CONSUMERS

- Sheepmeat is a niche protein in the Indonesian diet and is generally consumed on special occasions, particularly during religious festivals. Demand for sheepmeat in Indonesia typically spikes during the Islamic festive seasons around the months of Ramadan and Eid al-Adha.
- Lack of knowledge about how to cook lamb is the main barrier to increasing lamb purchasing in Indonesia. However, since 2020 more Indonesians claim to have bought lamb in the past year than before the pandemic *(Source: MLA Global Consumer Tracker, Indonesia 2021)*. The pandemic shutdown of food service encouraged consumers to cook more lamb at home as households sought greater variety and novelty as well as quality nutrition.
- Affluent millennials (aged 25–40) have a stronger interest than others in eating sheepmeat and learning how to cook it in more exciting dishes *(Source: MLA Attractive Cities Study Jakarta, 2018)*. Indications are that these consumers are more likely to buy and cook sheepmeat at home if they have first tried it in dishes at a restaurant, are given a free sample, or provided with inspiring recipe ideas.

Reasons Indonesian consumers don't buy lamb



Source: MLA Global Consumer Tracker Indonesia, 2021. % agree scores

FOODSERVICE

- With lack of cooking knowledge as the key barrier to buying lamb at retail, foodservice remains the strategic channel to grow sheepmeat consumption. Great eating experiences at restaurants can inspire consumers to cook more sheepmeat at home.
- Australian sheepmeat in Indonesia is typically utilised in mid- to high-end restaurants, especially those that cater to international and domestic travellers and affluent consumers. The pandemic disrupted this channel, resulting in a 45% fall in Australian sheepmeat export volume from 2019 to 2020. However, demand has recovered in 2022 as the sector re-opened.
- The pandemic led to foodservice operators adapting their operations, many partnering with delivery apps such as GoFood and GrabFood. Post-lockdown, these meal delivery services remain an important and growing feature of the sector and continue to evolve.

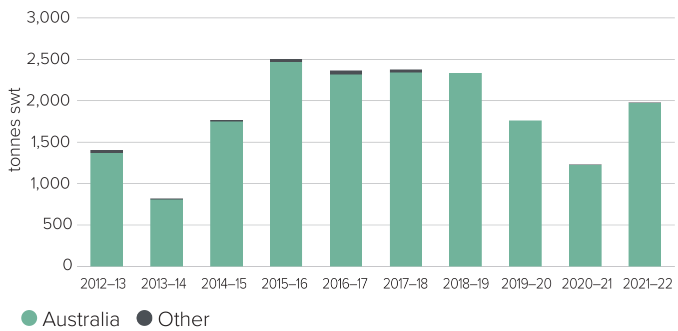
RETAIL

- Indonesian consumers purchase sheepmeat from various retail types, both modern and traditional. However, modern retail is the main place of purchase for imported products.
- Roasting, grilling and soups are the most popular ways of cooking lamb at home *(Source: MLA ASEAN Attractive Cities Study Jakarta, 2018)*. Retailers encourage trial by presenting sheepmeat cuts in easy-to-cook formats such as thin slice, cutlets or lamb chops, in addition to more traditional cuts such as lamb shanks and leg roasts.
- The pandemic has accelerated the uptake of online retail for grocery shopping. While COVID-19 concerns triggered many to use online retail for the first time, it is the benefits of convenience, time-saving and access to shopper reviews that will keep these shoppers using the channel *(Source: MLA Global Consumer Tracker, Indonesia 2021)*.
- With word-of-mouth and social media such as Instagram having a strong influence in consumption behaviours in Indonesia, these represent effective channels for educational campaigns to grow awareness and knowledge of lamb.

COMPETITIVE LANDSCAPE

- Indonesia has the largest local sheepmeat production in South-East Asia, with about 138,000 tonnes carcase weight supplying 98% of total sheepmeat consumed in the country in 2022f *(Source: GIRA)*.
- Import demand fell sharply due to the impacts of the pandemic on high-end foodservice but is recovering in 2022.
- Australia has long been the key supplier of imported sheepmeat to Indonesia. In 2021–22, Indonesia imported 61% more compared to 2020–21.
- New Zealand has been largely absent from the market until 2022, with small but regular monthly shipments occurring in the first half of the year.
- Indonesia imports a small number of Australian breeder sheep annually to improve the genetics of its flock. In 2021–22, a total of 216 head were exported.

Indonesia sheepmeat imports by supplier



Source: IHS Markit, Australian Fiscal Year

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN – Australia New Zealand Free Trade Agreement **(AANZFTA)** Indonesia-Australia Comprehensive Economic Partnership Agreement **(IA-CEPA)**	**Under IA-CEPA: 0%** except 2.5% for frozen products (excluding frozen lamb) Zero tariff from 1 January 2023	**New Zealand:** 5% for most products	Zero	Indonesia maintains import regulations in accordance with Halal requirements

Best access — Major challenges

Source: Trade agreements, DFAT, ITC

Australian sheepmeat exports to Indonesia – summary table

Volume – in tonnes swt

		2021–22	% out of total	2020–21	% out of total	five-year average (2016–17 to 2020–21)	% out of total	change 2021–22 vs five-year average %	change in tonnes swt
	Total	**2,130**		**1,281**		**2,001**		**6%**	**129**
Storage	Chilled	2	0%	13	1%	21	1%	-88%	-19
	Frozen	2,128	100%	1,267	99%	1,979	99%	7%	148
Meat type	Lamb	838	39%	504	39%	949	47%	-12%	-111
	Mutton	1,292	61%	777	61%	1,052	53%	23%	240
Storage/ meat type	Chilled lamb	2	0.1%	3	0%	19	1%	-87%	-17
	Chilled mutton	0	0%	10	1%	10	1%	-100%	-10
	Frozen lamb	836	39%	501	39%	930	46%	-10%	-94
	Frozen mutton	1,292	61%	766	60%	1,050	52%	23%	242

Source: DAFF, figures are rounded

Value – in A$ 000

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**19,361**		**9,201**		**14,572**		**33%**	**4,788**
Meat type	Lamb	8,813	46%	4,404	48%	9,106	62%	-3%	-293
	Mutton	10,547	54%	4,797	52%	5,466	38%	93%	5,081

Source: ABS/IHS Markit

Australian sheepmeat exports to Indonesia – by major cut (in tonnes swt)

		2021–22	% out of total	2020–21	% out of total	five-year average	% out of total	%	in tonnes swt
Lamb	Carcase	404	48%	187	37%	440	46%	-8%	-35
	Leg	217	26%	219	43%	154	16%	41%	63
	Rack	77	9%	2	0%	8	1%	874%	69
	Other	140	17%	95	19%	348	37%	-60%	-207
	Total	**838**		**504**		**949**		**-12%**	**-111**
Mutton	Carcase	1,125	87%	670	86%	813	77%	38%	312
	Leg	79	6%	91	12%	144	14%	-45%	-64
	Manufacturing	46	4%	8	1%	37	4%	25%	9
	Other	41	3%	8	1%	58	6%	-30%	-17
	Total	**1,292**		**777**		**1,052**		**23%**	**240**

Source: DAFF