MEAT & LIVESTOCK AUSTRALIA

MARKET SNAPSHOT | BEEF & SHEEPMEAT

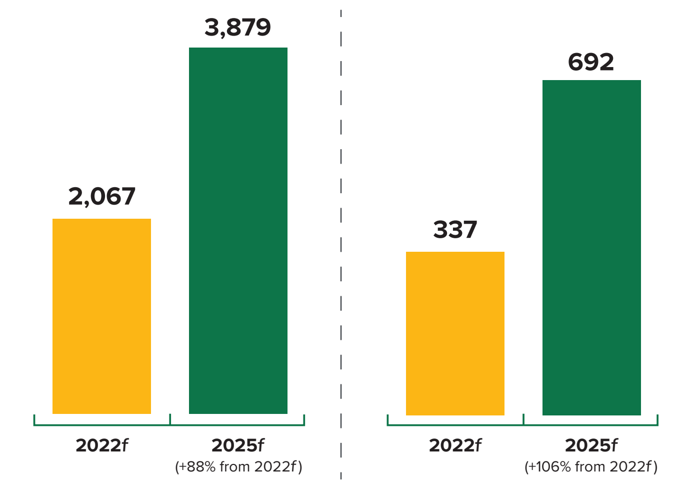
Indonesia

Indonesia is Australia's largest export market for cattle and beef offal and the fifth largest market for boxed beef. Total red meat and livestock export value to Indonesia in 2020–21 was A$883 million, representing 7% of Australia's total export value.

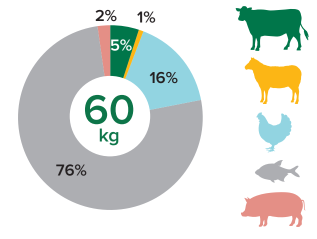
While the spike in COVID-19 cases has softened consumption demand, Indonesia remains one of the largest markets for Australian cattle and boxed beef exports. The country's rapidly expanding and digitally connected middle-class and their growing preference for beef is expected to drive demand for Australian red meat, even as the pandemic persists.

Population[1]

Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

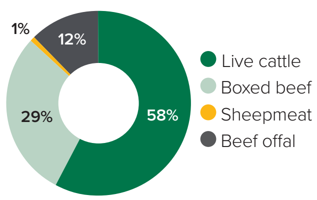


Annual grocery spend[4]

A$ 826 per person/year

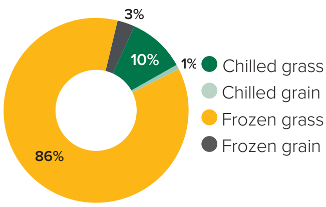
Australian beef exports

Australian exports – value[5]



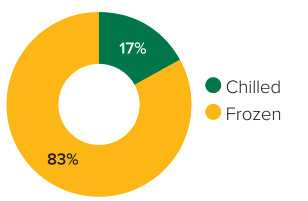
Total A$1.0 billion

Australian boxed beef exports – volume[6]



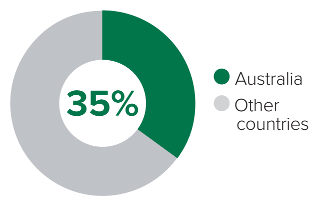
Total 43,585 tonnes swt

Australian boxed beef exports – value[7]



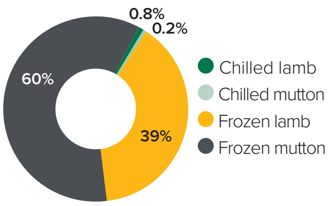
Total A$289.8 million

Australia's share of boxed beef imports[8]



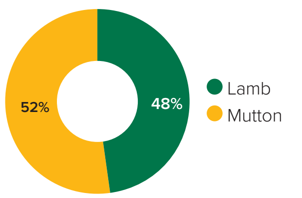
Australian sheepmeat exports

Australian sheepmeat exports – volume[6]



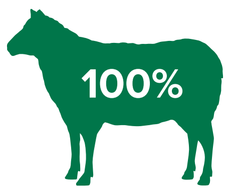
Total 1,281 tonnes swt

Australian sheepmeat exports – value[7]

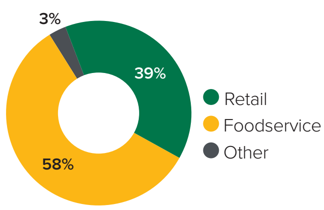


Total A$9.2 million

Australia's share of sheepmeat imports[8]



Key distribution channels of Australian sheepmeat[9]



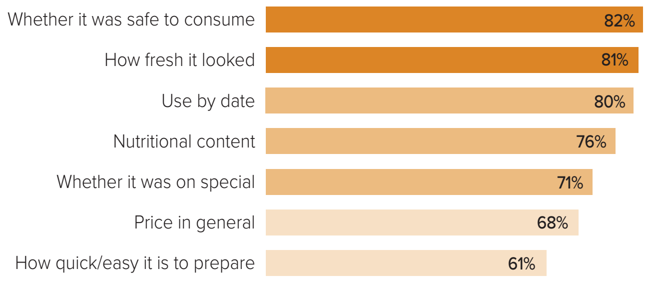
Data source for charts: [1,2] Fitch Solutions, [3] Fitch Solution (beef, pork, chicken, 2022f), Gira (sheepmeat and fish, 2021e), [4] IGD 2022f (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] ABS/IHS Markit (2020–21), [6] DAWE (2020–21), [7] ABS/IHS Markit (2020–21), [8] IHS Markit (2020–21), [9] MLA market intelligence.

Beef

CONSUMERS

- With over 85% of the population practising Islam, beef represents an important source of protein in the Indonesian diet. Per capita beef consumption in Indonesia is relatively low at around 3kg, compared to the South-East Asia average of 5kg. However, it is forecast to grow at a rapid rate of about 11% year-on-year by 2025 *(Source: GIRA)*.
- Beef is a popular meat in the Indonesian diet, widely used in many different cuisines with *rendang* (beef braised with coconut milk and spices), *bakso* (meatball) soup and *semur* (beef stew) among famous traditional Indonesian beef dishes. Beef is regarded as the most superior meat with many strong associations such as delicious taste and ideal meat for special occasions with family and friends. Beef consumption particularly spikes during festive seasons including the months of Ramadan and Eid al-Fitr.
- Due to religious reasons, halal is a top priority for Indonesian consumers. Freshness is also a significant influential factor on consumers' decision-making when they buy beef.
- Consumer spending has softened due to COVID-19 related uncertainties and recovery will be tied to the pandemic containment and vaccine execution. However, there is room for Australian beef to grow by leveraging the rising importance of fundamental needs including food safety, freshness, nutrition and the strong brand image of Australian beef in the market.
- Product offerings that address consumers' health concerns and emotional needs (which have been accelerated by COVID-19) – such as desire for showing care for extended family members and friends hand having meaningful interactions with these people while in isolation – are essential to boosting sales given the cultural significance of family/friend kinship in Indonesia.

Which factors have become more important to Indonesian consumers when purchasing red meat since the COVID-19 outbreak?



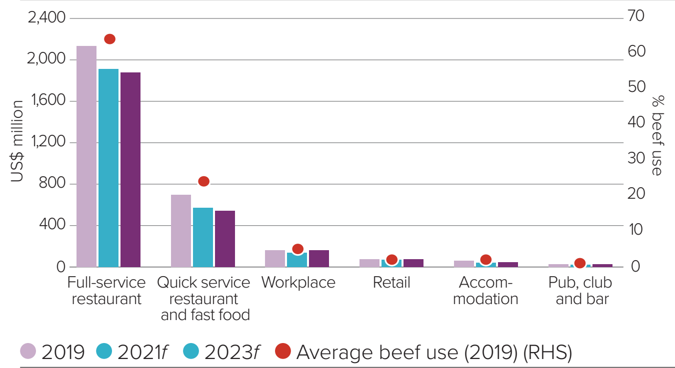
Source: MLA Global Consumer Tracker, Indonesia 2020

- Although Australian beef exports to Indonesia have declined since the COVID-19 outbreak, demand for chilled grassfed products has remained strong. Shipments in the 2020–21 were 4,313 tonnes swt, a 7% increase compared with pre-COVID-19 levels in 2018–19. There has been strong growth distribution across an array of cuts, with blade, thick flank/knuckle and silverside/outside topping the list. This reflects an increase in demand for high quality products for in-home consumption as many consumers are cooking more at home.
- Affluent consumer groups in particular, show a persistent interest in trying loin cuts such as tenderloin, sirloin and rib eye when cooking or eating steak. They have also become increasingly knowledgeable about different marbling grades and more selective about their choices.

FOODSERVICE

- Indonesia has a vibrant yet 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 more than half of the Indonesian population. This consumer segment is aspirational and interested in experimenting with new food trends or cuisines from different cultures. Japanese and Korean cuisines, in particular, are growing in popularity.
- On average, Indonesian consumers dine out with family or friends once a week. Beef is a favourite choice for these gatherings, especially when consumers dine in higher-end restaurants.
- Pre-COVID-19, Indonesia's foodservice sector had been booming, with rapid expansion of many different kinds of restaurants and new trendy food hubs appearing in large cities across the country.
- Similar to other parts of the world, Indonesia's foodservice sector has been heavily impacted by the pandemic. Online delivery or takeaway has been a key revenue stream for foodservice but is mostly limited to the lower-end segment of the market. The higher-end segment, including hotels who cater to international tourists, has been hit hard by the pandemic, subsequently impacting demand for Australian boxed beef.

Foodservice sales and beef usage estimate by channel



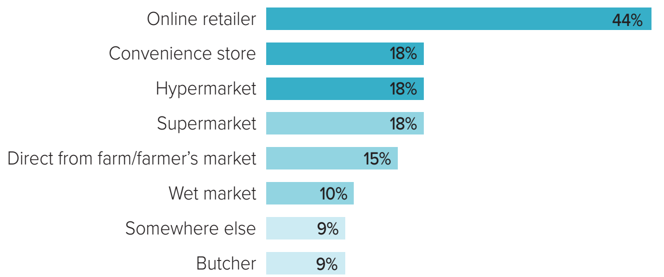
Source: GlobalData

- The higher-end dining segment is also predicted to recover at the slowest rate. Many operators are looking for creative ways to stay afloat amid the pandemic and this has driven an emerging trend in 'enjoying restaurant foods at home', initiated by major restaurant and hotel players. New offerings come in various forms, spanning from mobile restaurant, ready-cooked delivery to pre-prepared kits that consumers can enjoy cooking by themselves in the comfort of their homes.

RETAIL

- Indonesia's retail sector is also highly fragmented, with traditional channels making up approximately 85% of the market.
- Wet markets are 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, Indonesian consumers' preferences for hot meat and their habit of cooking from fresh ingredients purchased on the day. The majority of Australian cattle imported to 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 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 is growing at an exponential rate, with sales values estimated to increase tenfold by 2024 *(Source: IGD)*. Online beef retail is still relatively small but growing, accelerated in part by COVID-19 as more consumers are trying online channels for their grocery shopping *(Source: McKinsey)*. This trend is expected to continue, driven by the younger affluent consumers as they are digitally savvy and favour convenience.
- The pandemic has forced some modern retail operators to shut down their stores or look to restructure their business portfolios to survive financially. For example, Giant was reportedly planning to close all their stores (approximately 75 stores nationwide) by the end of July 2021 *(Source: IGD)*.

Change in red meat channel since the COVID-19 pandemic (% of consumers saying they have purchased much more from a channel)



Source: MLA Global Consumer Tracker, Indonesia 2020

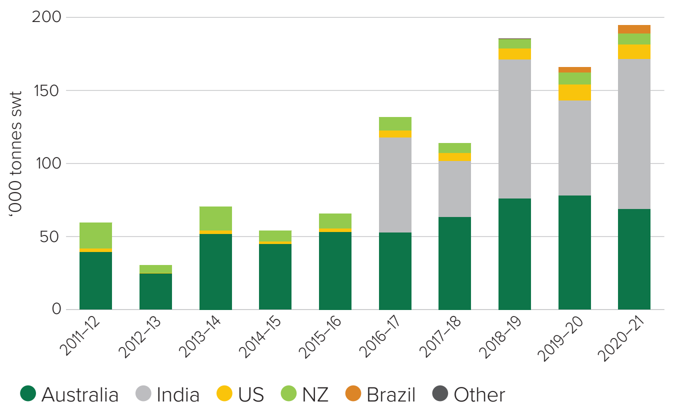
COMPETITIVE LANDSCAPE

- The Indonesian beef industry comprises both local production and live cattle and beef imports, with imports contributing to more than 50% of total beef consumption. Australia and India are the leading suppliers of beef imports to the country.
- Competition has intensified following the entry of Indian buffalo meat in 2016 and the introduction of the Indonesian government's retail beef price ceiling policy* as part of its efforts to stabilise high beef prices and diversify beef supply sources.
- Australia plays an important role in meeting growing demand for quality beef in Indonesia. Combining boxed beef and live cattle exports, Australia contributes approximately 30% to Indonesia's total beef demand (see 'Australian live cattle exports' for more details on live exports). It remains the most resilient trade partner, especially during the COVID-19 outbreak. Softening demand coupled with a tight cattle supply in Australia due to herd rebuilding has resulted in a 24% year-on-year decline in Australian boxed beef exports to Indonesia in 2020–21 at 43,585 tonnes swt.
- Indonesia's allocation for Indian buffalo meat for 2020 was around 170,000 tonnes swt, but due to COVID-19 disruptions to production and logistics, only 76,365 tonnes were realised. Allocation for Indian buffalo meat in 2021 is 100,000 tonnes swt and imports are showing strong signs of recovery, with total shipments in 2020–21 exceeding pre-COVID-19 levels to reach 102,685 tonnes (from 95,034 tonnes swt in 2019–20). Indian buffalo meat imports are anticipated to remain strong, driven by ongoing COVID-19-induced economic uncertainties in Indonesia and improved logistics in India.
- Brazil has regained access for frozen beef to Indonesia since August 2019. Similar to Indian buffalo meat, importation of Brazilian beef is undertaken by state-owned enterprises.

**Ref: MoT regulation 7/2020*

- Allocation for Brazilian beef in 2020 was 20,000 tonnes swt, however, only 4,000 tonnes arrived. Allocation for Brazilian beef in 2021 is also 20,000 tonnes swt. 8,565 tonnes swt have arrived in the year-to-July 2021. In 2021–22, there is a plan to add more Brazilian meat establishments as the Indonesian government looks to diversify supply beyond traditional importers.
- Despite a much smaller volume, imports from the US and Spain have increased at rapid rates. Amid the spread of COVID-19 in 2020, shipments from the US totalled 10,830 tonnes swt, up 9% year-on-year, while Spain was at 2,515 tonnes swt, up 21% year-on-year. However, US beef imports dropped 19% year-on-year in the first half of 2021, largely due to lower demand in the foodservice sector.
- Imports of Japanese beef reached a record high of 15.4 tonnes swt in 2020, reflecting a small but resilient premium segment in the Indonesian beef market.

Indonesia beef imports by supplier

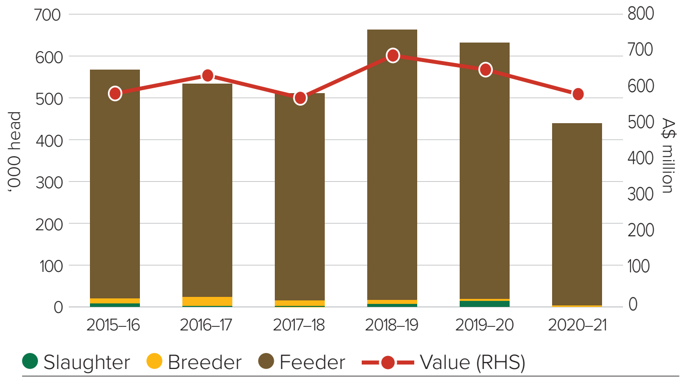


Source: IHS Markit, Australian Fiscal Year

AUSTRALIAN LIVE CATTLE EXPORTS

- Indonesia is the largest market for Australian live cattle exports, accounting for approximately 45% of export volume. On average, Australian live cattle are estimated to represent approximately 25% of total beef consumption in Indonesia.
- Beef derived from Australian live cattle in Indonesia is mostly utilised through wet markets – an increasingly competitive channel due to the growing penetration of cheaper products, including Indian buffalo meat. Wet market sellers are typically profit-oriented, and due to price competitiveness, there are more of them favouring frozen Indian buffalo meat over fresh beef for better profit margins *(Source: APDI/MLA Survey, 2018)*.
- The economic impacts of the COVID-19 pandemic, combined with high cattle prices from Australia and the weakening Indonesian rupiah, have softened Indonesia's demand for cattle imports. In 2020–21, shipments declined 31% year-on-year to 439,054 head (from 632,188 head in 2019–20).
- As part of the Indonesian government's effort to increase local beef production, the government imposed a '3% breeder feeder' import policy, which requires 3% breeders on total feeders imported. However, the policy has been temporarily halted due to COVID-19.

Australian live cattle exports to Indonesia



Source: DAWE, IHS Markit/ABS, Australian Fiscal Year

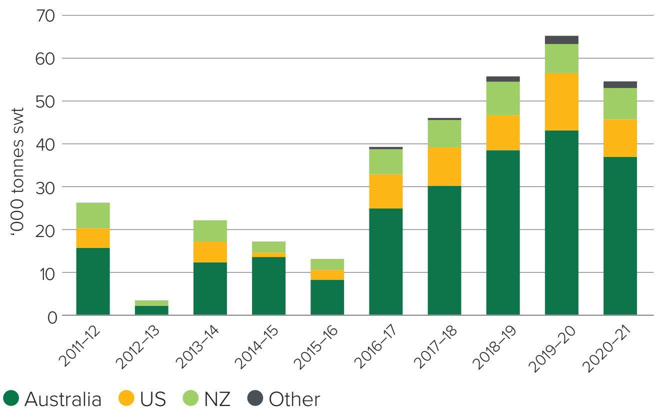
AUSTRALIAN BEEF OFFAL EXPORTS

- Beef offal is also popular in Indonesian cuisine, widely used across the household, foodservice and manufacturing sectors. Tongue is among the most popular cuts used in a variety of Indonesian dishes, while tongue root is widely used to make processed foods.

Coto Makassar (beef offal soup)

- Indonesia is the largest export market for Australian beef offal products, with export volumes growing steadily before the pandemic. However, competition from other suppliers and the rapid spread of COVID-19 cases so far in 2021 have weakened demand. Shipment in 2020–21 dropped 11% year-on-year to 33,340 tonnes swt.
- Australia, the US and New Zealand are key suppliers of beef offal to Indonesia. Imports from Spain have also grown rapidly, albeit off a small base.

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 2023 **Live cattle – 0%** 0% for male cattle within quota (598,000 head, reset on 1 January 2022), **2.5% out of quota;** 0% for all other product lines	**India (buffalo meat):** India-ASEAN FTA. 5% tariff **Brazil:** No FTA. 5% tariff	Volumes managed by the Indonesian government's import permit system	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

		2020–21	% of total	2019–20	% of total	five-year average (2015-16 to 2019–20)	% of total	change 2020–21 vs five-year average %	change 2020–21 vs five-year average in tonnes swt
	Total	**43,585**		**57,629**		**55,125**		**-21**	**-11,539**
Storage	Chilled	4,673	11	3,986	7	4,018	7	16	655
	Frozen	38,913	89	53,643	93	51,107	93	-24	-12,194
Meat type	Grassfed	41,845	96	56,693	98	54,067	98	-23	-12,221
	Grainfed	1,740	4	936	2	1,058	2	64	682
Storage/meat type	Chilled grassfed	4,313	10	3,457	6	3,458	6	25	855
	Chilled grainfed	360	1	529	1	559	1	-36	-199
	Frozen grassfed	37,532	86	53,236	92	50,608	92	-26	-13,076
	Frozen grainfed	1,380	3	407	1	499	1	177	882

Source: DAWE; figures are rounded

Value – in A$ 000

		2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
	Total	**289,792**		**414,550**		**333,775**		**-13**	**-43,983**
Storage	Chilled	49,064	17	49,346	12	46,601	14	5	2,463
	Frozen	240,728	83	365,204	88	287,174	86	-16	-46,446

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	17,037	39	17,364	30	21,763	39	-22	-4,727
Brisket	6,188	14	6,741	12	5,390	10	15	798
Thick flank/knuckle	4,584	11	7,187	12	5,986	11	-23	-1,403
Other	15,777	36	26,336	46	21,985	40	-28	-6,207
Total	**43,585**		**57,629**		**55,125**		**-21**	**-11,539**

Source: DAWE

Australian beef offal exports to Indonesia (in tonnes swt)

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	10,778	32	13,320	36	8,877	34	21	1,901
Lungs	5,453	16	4,903	13	2,552	10	114	2,902
Heart	5,180	16	6,169	16	4,021	15	29	1,160
Other	11,929	36	13,121	35	10,661	41	12	1,267
Total	**33,340**		**37,513**		**26,111**		**28**	**7,229**

Source: DAWE

Value of Australian beef offal– in A$ 000

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	in A$ 000
Total	**123,174**		**120,213**		**75,240**		**64**	**47,934**

Source: ABS/IHS Markit

Australian live cattle exports to Indonesia

	2020–21	% of total	2019–20	% of total	five-year average	% of total	%	change
Volume – in head	269,128		337,575		317,809		-15	-48,681
Value – in A$ 000	583,896		651,708		627,510		-7	-43,614

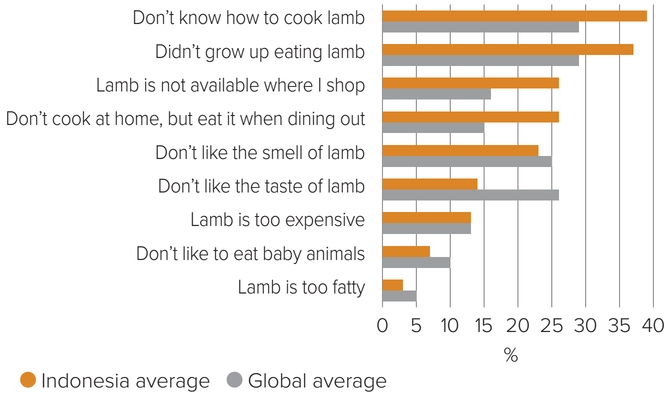
Source: DAWE, ABS, IHS Markit

Sheepmeat

CONSUMERS

- Sheepmeat is a niche protein in the Indonesian diet, generally consumed on special occasions, especially during religious festivals. Demand for sheepmeat in Indonesia typically spikes during the Islamic festive seasons, particularly around the months of Ramadan and Eid al-Fitr.
- However, sheepmeat remains unfamiliar to many Indonesian consumers, with 'don't know how to cook the meat' being the key barrier to purchasing and cooking sheepmeat at home. 26% of consumers surveyed indicate that they do not cook sheepmeat at home but do consume it when they dine out *(Source: MLA Global Consumer Tracker, Indonesia 2019)*.
- Affluent millennials (aged 25–40 in particular) tend to appreciate sheepmeat more than other demographic groups. This consumer segment shows a stronger interest in eating sheepmeat and learning how to cook more exciting sheepmeat dishes than other segments *(Source: MLA Attractive Cities Study Jakarta, 2018)*. Some indicated they would try to buy and cook sheepmeat if they tried it out in a restaurant, were given a free sample or provided with recipe ideas.

Reasons Indonesian consumers don't buy lamb



Source: MLA Global Consumer Tracker Indonesia, 2019

FOODSERVICE

- Foodservice remains a strategic channel to grow sheepmeat consumption, as consumers prefer eating sheepmeat out of home rather than buying and cooking it. In addition, eating experiences from restaurants may inspire consumers to try cooking sheepmeat at home.
- Australian sheepmeat exports to Indonesia are typically utilised in mid- to high-end restaurants, especially those that cater to international and domestic travellers and affluent customers. The pandemic has disrupted this channel, resulting in a sharp drop in demand for Australian sheepmeat.
- While the impact of COVID-19 to the high-end foodservice segment is likely to last for a few more years, partnerships with hotels and restaurants that are providing 'restaurant services' to consumers' for in-home consumption remain a key activity to promote sheepmeat consumption until the segment fully recovers.

RETAIL

- Indonesian consumers purchase sheepmeat from multiple retail venues, including both modern retail outlets and traditional markets. However, modern retail is the main place of purchase for imported products.
- Roast, grill, barbeque, and soup are the most popular ways of cooking lamb at home *(Source: MLA ASEAN Attractive Cities Study Jakarta, 2018)*. Retailers are trying to entice consumers to trial sheepmeat by presenting the cuts in easy-to-cook formats such as thin slice, cutlets or lamb chops, on top of more traditional cuts such as lamb shanks and leg roasts.
- The growing consumer need for making mealtimes enjoyable at home offers an opportunity to entice consumers to try to cook sheepmeat at home.
- With word-of-mouth and social media such as Instagram having a strong influence on consumption behaviours in Indonesia, these represent an effective channel for educational campaigns to grow consumer awareness and knowledge of cooking sheepmeat.

COMPETITIVE LANDSCAPE

- Indonesia has a relatively large local sheep and goat population in South-East Asia, with about 17.8 million head of sheep supplying 97% of total sheepmeat consumption in the country *(Source: BPS, GIRA)*.
- Australia is the key supplier of imported sheepmeat to Indonesia. New Zealand has a very small presence in Indonesia, however, there haven't been any imports from New Zealand in the last two years due to supply constraints and increased demand from other markets such as China.

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), removed by 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

		2020–21	% out of total	2019–20	% out of total	five-year average (2015–16 to 2019–20)	% out of total	change 2020–21 vs five-year average %	change 2020–21 vs five-year average in tonnes swt
	Total	**1,281**		**1,725**		**2,257**		**-43**	**-976**
Storage	Chilled	13	1	23	1	24	1	-45	-11
	Frozen	1,267	99	1,703	99	2,233	99	-43	-966
Meat type	Lamb	504	39	876	51	1,054	47	-52	-550
	Mutton	777	61	850	49	1,203	53	-35	-426
Storage/ meat type	Chilled lamb	3	0.2	23	1	24	1	-89	-21
	Chilled mutton	10	1	0	0	0	0	-	10
	Frozen lamb	501	39	853	49	1,031	46	-51	-529
	Frozen mutton	766	60	850	49	1,203	53	-36	-436

Source: DAWE, figures are rounded

Value – in A$ 000

		2020–21	% out of total	2019–20	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**9,201**		**14,961**		**15,503**		**-41**	**-6,302**
Meat type	Lamb	4,404	48	9,375	63	9,749	63	-55	-5,345
	Mutton	4,797	52	5,586	37	5,754	37	-17	-957

Source: ABS/IHS Markit

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

		2020–21	% out of total	2019–20	% out of total	five-year average	% out of total	%	in tonnes swt
Lamb	Carcase	219	43	141	16	150	14	46	69
	Leg	187	37	406	46	480	46	-61	-293
	Rack	48	10	127	14	160	15	-70	-112
	Other	49	10	202	23	264	25	-81	-215
	Total	**504**		**876**		**1,054**		**-52**	**-550**
Mutton	Carcase	670	86	621	73	922	77	-27	-252
	Leg	91	12	75	9	165	14	-45	-74
	Manufacturing	8	1	30	4	54	5	-86	-47
	Other	8	1	123	14	61	5	-88	-54
	Total	**777**		**850**		**1,203**		**-35**	**-426**

Source: DAWE