



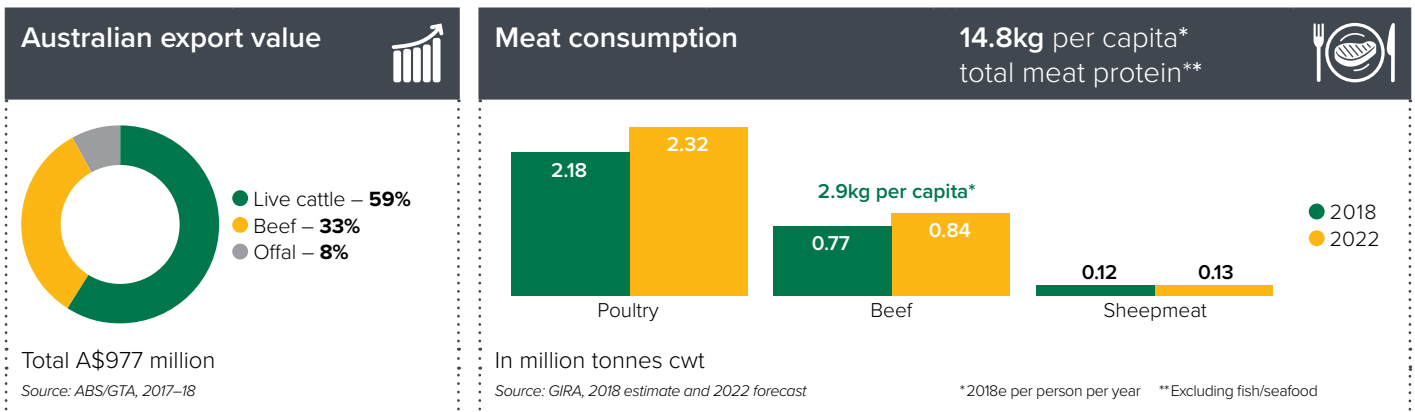
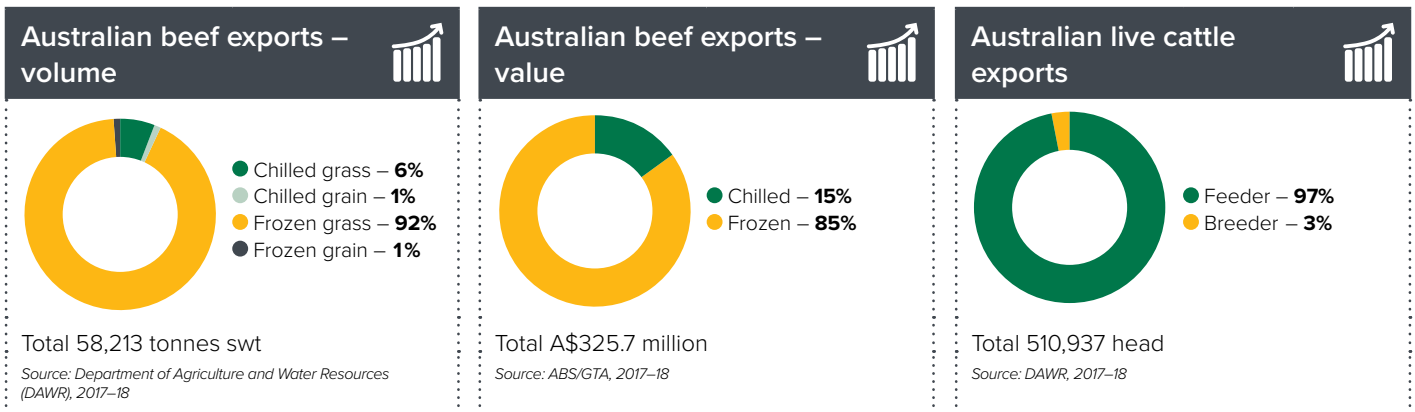
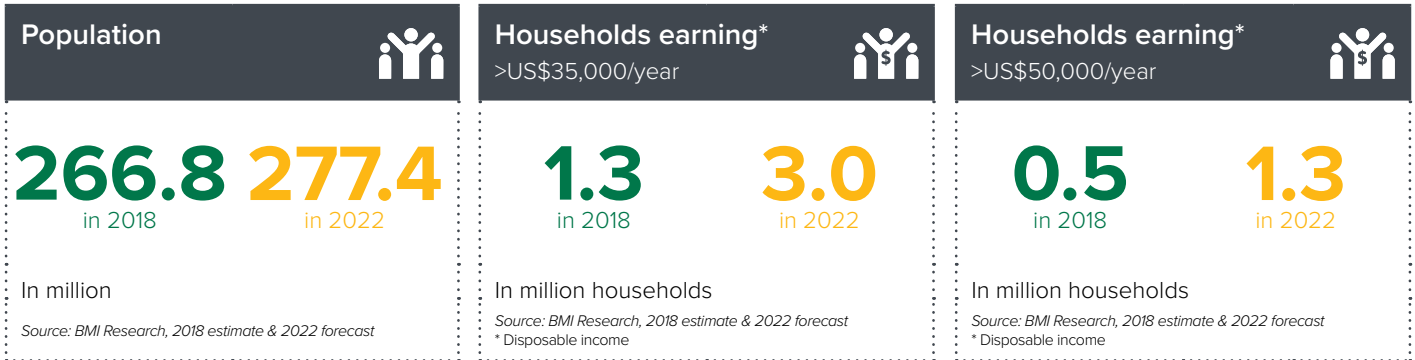
MARKET SNAPSHOT | BEEF

# Indonesia

Indonesia has one of the largest beef markets in Asia with total consumption volume forecast to grow 9% by 2022. The country's large population, expanding middle-class consumers, rapid urbanisation and robust economic growth are the key driving forces of this growth. While the market size and growth prospects present opportunities, there are challenges facing Australian exporters.

Challenges and opportunities in Indonesia for Australian beef include:

- The Indonesian cattle and beef industry is economically and politically important to Indonesia with self-sufficiency for beef having long been one of the nation's top priorities, which has resulted in Indonesia being a highly regulated market with strong government intervention.
- Competition is intensifying with Indian buffalo meat growing its penetration and popularity across retail, foodservice and manufacturing sectors. There have also been potential threats from new entrants as the Indonesian government continues to boost price affordability by diversifying beef supply sources.
- Beef is a versatile meat in Indonesian cuisine and perceived as the most superior meat amongst many Indonesian consumers.
- Shifting consumer diets and rising household incomes continue to underpin demand for high-protein foods including beef and high-quality products.
- New trade agreement between Indonesia and Australia is expected to deliver more liberalised market access and further tariff reductions for Australian boxed beef and live cattle exports (see Trade access).



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# Consumers



- Beef is the third most consumed protein in Indonesia behind chicken and fish. However, it is perceived to be the most important source of protein and is used widely in a variety of traditional dishes, such as *bakso* (meatball) and *rendang* (meat dish cooked with coconut milk).

## Attributes important for all proteins and beef associations

**What attributes are important for Indonesian consumers (all proteins)?**      **What associations do consumers have to beef?**

Easy and convenient to prepare	Most superior meat
Fresh	My/my family's favourite
Easy and convenient to purchase	Willing to pay more for this meat
Tastes delicious	Can be used in many different meals
Tenderness	Consistent quality standards

Source: MLA Global Consumer Tracker Indonesia, 2018

- The island of Java – the most populated island in Indonesia – accounts for the largest proportion of the country's total beef consumption. Australian beef, in particular, is consumed mostly in Greater Jakarta.

## Jakarta city profile



Source: GlobalData, Statistics Indonesia, QASA, MLA estimate

- Indonesia has a large, young and diverse consumer base, with more than 60% of its population under 40-years-old (approximately 180 million people). It is also undergoing rapid urbanisation. An additional 13 million people are expected to live in urban areas by 2022 (Source: BMI Research).
- With Indonesia being a Muslim-majority country, food being Halal influences the buying decisions of a large proportion of Indonesian consumers. Beef consumption typically spikes during the festive seasons, particularly around the months of Ramadan and Idul Fitri. Ramadan dates are based on a lunar calendar, and migrate throughout the seasons. Subsequently, the timing for beef demand changes every year.

## Ramadan schedule

Year	First day	Last day
2018	May 16	Jun 14
2019	May 6	Jun 4
2020	Apr 24	May 23
2021	Apr 13	May 12
2022	Apr 2	May 1

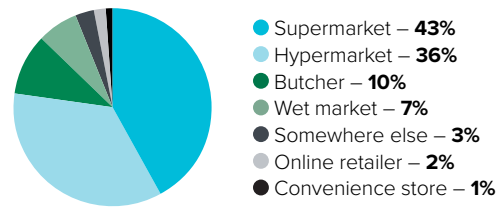
Note: Ramadan's start day may vary by country as it depends on when the new moon is first sighted.

# Retail



- Indonesia's modern grocery retail market is highly fragmented and only accounts for approximately 7% of the market, however, it is continuously expanding.
- In Greater Jakarta, consumers generally visit multiple retail channels from modern to traditional outlets to purchase beef. Australian boxed beef is sold across a range of different retail channels in the region with supermarkets and hypermarkets being the most common places of purchase. The majority of beef derived from Australian lot-fed cattle is channelled into wet markets as hot carcasses with around 10% sold into modern retail outlets.
- The expansion of modern retail to second-tier cities such as Surabaya (the capital of East Java province), Bandung (the capital of West Java province) and Semarang (the capital of Central Java province) presents growth potential for Australian beef beyond the Greater Jakarta region.

## Where do consumers go and buy Australian beef in Jakarta?



Source: MLA Global Consumer Tracker Indonesia, 2018

## Major modern retail chains selling Australian beef in Indonesia

Format	Retail banner
Supermarket	Hero, AEON, Ranch Market, Farmers Market, Food Hall
Hypermarket	Hypermart, Carrefour, Lulu Hypermarket, LotteMart, Giant, Yogya

- There has been an emerging trend towards 'modernisation' and 'premiumisation' in the meat retail space across the Greater Jakarta region, driven by a number of leading meat importers and distributors opening up their own butcher shops where a range of high-quality meat products including both locally slaughtered and imported beef products are offered.



'Meatshop Indoguna' – a modern butcher shop owned by PT Indoguna Utama, one of the leading meat importers in Indonesia.

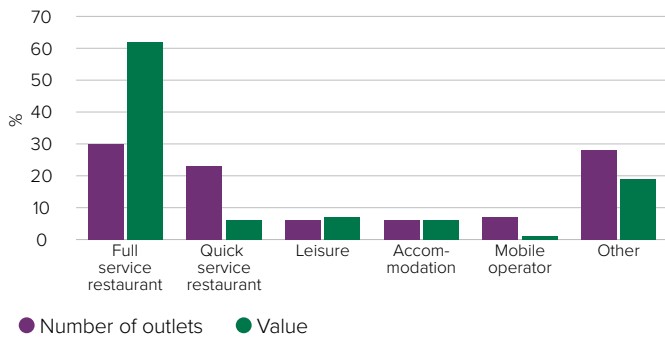
- Indian buffalo meat is mainly sold in wet markets, however, it also presents in supermarkets and hypermarkets with limited penetration. Lulu Hypermarket – an Indian-owned and United Arab Emirates-based retail chain (entered into Indonesia in 2016) – is one of the largest sellers of Indian buffalo meat amongst modern retailers.

# Foodservice



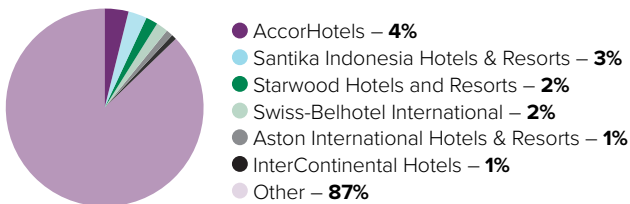
- The foodservice channel in Indonesia is diverse, ranging from high-end international restaurants to local family-owned kiosks, known as *warungs*, and street vendors.
- Australian beef is widely used in Indonesia's foodservice sector, mostly within medium to high end restaurants. These are typically limited to major cities and tourist destinations, with Jakarta and Bali the key markets.
- Besides small-scale foodservice operators, medium to large-scale local foodservice operators have also exhibited preferences towards Indian buffalo meat as it is cheaper and can be used in place of beef in a variety of traditional dishes, particularly slow-cooked dishes.
- The Indonesian foodservice market is forecast to grow by 5% through to 2021, partly supported by continued urbanisation, rising incomes and robust tourism growth. The evolving e-commerce sector is also driving the foodservice market. Gojek and Grap are amongst the leading players expanding their home-delivery services, which offers consumers a wide range of food choices, convenience and low delivery costs.

## Proportion of outlet number and value by key foodservice channel



Source: GlobalData, 2018 estimate

## Market share of major hotel chains by foodservice sales



Source: GlobalData, 2016

- Despite being fragmented, Indonesia's foodservice market is evolving towards modernisation, underpinned by the continued expansion of shopping malls, modern retail outlets, and hotels; combined with the increasing preferences towards trendy, modern and international dining experiences amongst young consumers.



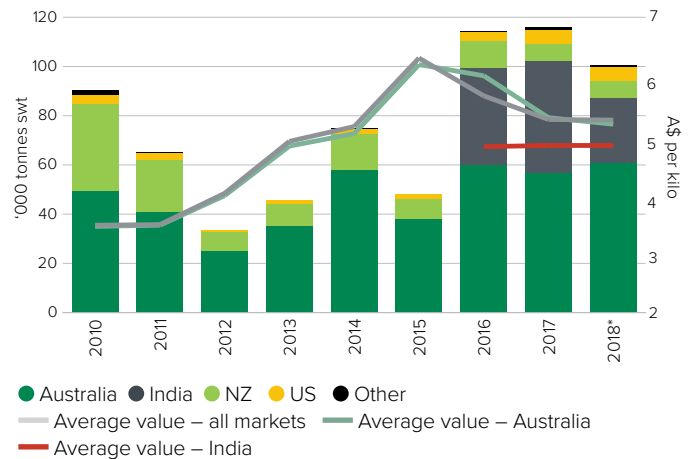
Beefsteak at the Holycow Steakhouse – a medium-end steakhouse chain in Indonesia.

# Other beef suppliers



- India has become Australia's major competitor in the Indonesian beef market since its legal entry in August 2016.
- Indonesia's initial quota for Indian buffalo meat imports for 2018 was 100,000 tonnes with BULOG, a state-owned enterprise, initially appointed as the sole importer. However, additional import permits have been granted to PT Berdikari, another state-owned enterprise, with an expected allocation volume of 10,000 to 20,000 tonnes, in an attempt to increase the availability of cheap Indian buffalo meat to broader areas across the country.
- Indian buffalo meat is priced at around IDR 80,000/kg (A\$7.5/kg) for frozen meat, and IDR 95,000/kg (A\$8.9/kg) for thawed meat. It is largely distributed to wet markets, BULOG's retail stores, and small to medium food manufacturers.
- New Zealand (NZ) is the third largest beef supplier to Indonesia with a share of 7% (or 7,000 tonnes from May 2017 to April 2018). NZ beef imports to Indonesia have declined significantly in recently years (down about 9% per annum on average).
- Boxed beef imports from the US have increased significantly from a low base. Indonesia imported 5,500 tonnes of US beef during the period from May 2017 to April 2018 (up 36% year-on-year).
- The competitive landscape is expected to increase as the Indonesian government continuously seeks to reduce high beef prices and diversify beef supply sources with Brazil currently being assessed for market access.

## Beef imports into Indonesia by supplier



Source: GTA, \*2018: Moving Annual Total from May 2017 to April 2018.



## Australian beef versus Indian buffalo meat sales promotion

Lulu Hypermarket (Tangerang, Indonesia) – discounted prices at IDR 79,900/kg (A\$7.5/kg), below the price ceiling for modern retail of IDR 80,000 (in February 2018).

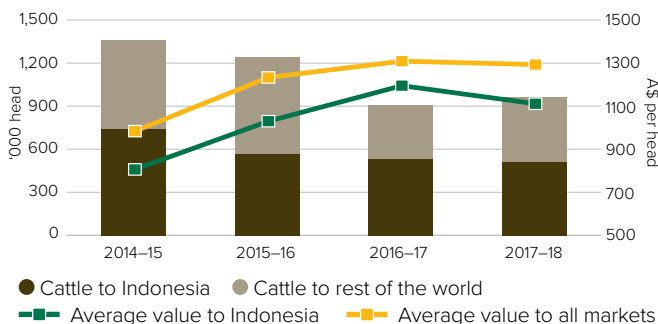


## Live cattle exports



- Indonesia accounts for over 50% of Australia's live cattle exports. In addition, Australian lot-fed cattle have played an important role in meeting the rising demand for beef in Indonesia. It is estimated to have supplied more than 20% of Indonesia's total beef consumption.
- In 2017–18, Australia exported roughly 510,900 head of cattle to Indonesia, down 7% year-on-year. The decline was influenced by a range of factors including strong livestock prices in Australia during the second half of 2017, increased competition from Indian buffalo meat, and regulatory complexity surrounding Indonesia's live cattle import policies.
- The '5:1 feeder to breeder' import policy, which requires importers to import one breeder for every five feeder cattle, came into effect in October 2016. The first audit to evaluate its performance is expected to occur in December 2018, and subsequently every two years thereafter.
- The Indonesian government is considering the importation of around 6,000 head of breeder cattle as part of its efforts to increase self-sufficiency.

### Australian live cattle exports



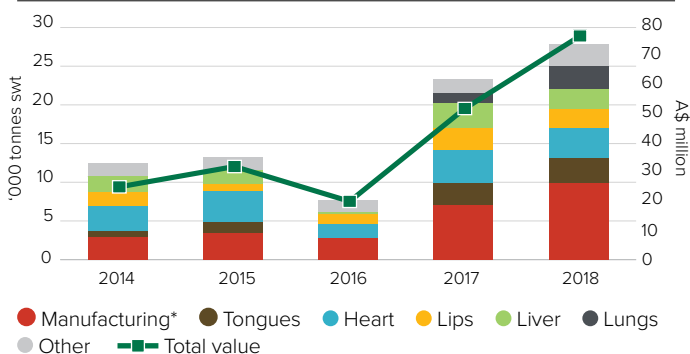
Source: ABS/GTA

## Beef offal exports



- Besides beef, offal is also widely utilised across household, foodservice and manufacturing sectors in Indonesia. For example, tongue is one of the most popular offal cuts used in a variety of Indonesian dishes and tongue root is widely used in the manufacturing sector.
- Underpinned by the relaxation of beef offal cut restrictions effective since 2016, and the decline in domestic production, Indonesia's demand for Australian beef offal has surged. In 2017–18, Indonesia imported roughly 27,800 tonnes and became Australia's largest destination for beef offal exports.

### Australian beef offal exports to Indonesia by major cut



Source: DAWR, 2017–18. \*Manufacturing includes tongue roots and trimmings.

## Trade access



- The Indonesian government is intensifying its efforts to achieve stable beef prices and to boost domestic beef production capacity. It has introduced a number of measures and revisions to existing trade regulations and policies for all boxed beef, offal, and live cattle imports.

### Boxed beef and offal imports

- The Indonesian government, through the amendment of Ministry of Trade (MoT) Regulation 37/2016 published in May 2016, relaxed restrictions on the importation of secondary cuts of beef and offal, which were imposed in the previous year. Subsequently, most beef cuts are allowed to be imported into the market. In addition to the cut relaxation, Indonesia opened trade with foot-and-mouth disease (FMD) countries, notably granting market access to India.
- As part of the government's policy to stabilise beef prices and provide consumers with access to affordable meat, importers are required to sell cheaper-priced meat, including buffalo meat, in the wet markets. Modern retailers are also required to sell frozen beef at a maximum price of IDR 80,000/kg (about A\$7.5/kg), effective from 10 April 2017.

### Live cattle imports

- Importers obtaining import recommendation are obligated to realise the importation gradually, during a period of validity specified in the recommendation. Import recommendation is currently valid for 12 months.
- Following the revised requirements for live cattle imports, effective from 21 February 2017, the maximum average weight for feeder cattle has been increased from 350kg to 450kg, with a maximum age of 48 months (up from 36 months).

### Indonesia and Australia trade relationships

- Indonesia and Australia have a trade relationship through the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) with tariff reduction remaining a key focus.
- The two countries also have a partnership in the red meat and cattle sector, namely the Indonesia-Australia Red Meat and Cattle Partnership (IA-RMCP), a bilateral initiative established in 2013. A range of programs have been undertaken to facilitate the partnership's core objective which is to maximise opportunities for development and collaboration between the Indonesian and Australian red meat and cattle sectors.
- The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) was finalised on 31 August 2018. IA-CEPA, on entry into force, will deliver immediate or gradual tariff reductions for those boxed beef and live cattle product lines not addressed under AANZFTA, and more liberalised access for live cattle exports. IA-CEPA's key outcomes include:

Product	On entry into force
Male cattle	Tariff: 0% within quota, 2.5% out of quota Quota: 575,000 head in year one, which will grow 4% per annum over five years to 700,000 head • Import permits will be issued automatically on an annual basis and without seasonal restrictions – an improvement on previous administrative procedures.
Female cattle	Tariff: 0% (eliminated from 5%) No quota or import permit restrictions
Frozen bone-in beef	Tariff: 2.5% (reduced from 5%) and eliminated after five years
Frozen boneless beef and frozen beef offal	Tariff: 0% (eliminated from 5%) • No quota or import permit restrictions for all boxed beef and offal product lines





# Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN*- Australia-NZ Free Trade Agreement ( <b>AANZFTA</b> ) Indonesia-Australia Comprehensive Economic Partnership Agreement ( <b>IA-CEPA</b> ) Conclusion of negotiations	<b>Boxed beef – 5%</b> on chilled & frozen boneless beef**  <b>Live cattle – 5%</b> (0% for purebred breeding cattle)	<b>India</b> (buffalo meat): India-ASEAN 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, MLA

\* Association of Southeast Asian Nations. Members include Indonesia, Malaysia, Singapore, the Philippines, Thailand, Vietnam, Brunei, Myanmar, Laos and Cambodia.

\*\* Removed by 2023. Chilled and frozen carcasse, and chilled bone-in exports are at 0%. Frozen bone-in exports are fixed at 5%.



## Australian beef exports to Indonesia – summary table

Volume – in tonnes swt		2017–18	% out of total	2016–17	% out of total	5-year average (2012–13 to 2016–17)	% out of total	change 2017–18 vs 5-year average	
								%	in tonnes swt
<b>Total</b>		<b>58,213</b>	<b>100</b>	<b>50,860</b>	<b>100</b>	<b>45,804</b>	<b>100</b>	<b>27</b>	<b>12,410</b>
Storage	Chilled	4,188	7	4,166	8	3,488	8	20	701
	Frozen	54,025	93	46,694	92	42,316	92	28	11,709
Meat type	Grassfed	56,852	98	50,122	99	45,049	98	26	11,803
	Grainfed	1,361	2	739	1	754	2	80	607
Storage/meat type	Chilled grassfed	3,391	6	3,703	7	3,026	7	12	365
	Chilled grainfed	798	1	463	1	462	1	73	336
	Frozen grassfed	53,461	92	46,418	91	42,023	92	27	11,438
	Frozen grainfed	564	1	276	1	293	1	92	271

Source: DAWR

Value – in A\$ 000								%	in A\$ 000
<b>Total</b>		<b>325,700</b>	<b>100</b>	<b>292,287</b>	<b>100</b>	<b>249,754</b>	<b>100</b>	<b>30</b>	<b>75,946</b>
Storage	Chilled	49,094	15	45,537	16	37,367	15	31	11,726
	Frozen	276,607	85	246,750	84	212,387	85	30	64,220

Source: ABS/GTA

Volume – by major cut (in tonnes swt)								%	in tonnes swt
<b>Total</b>		<b>58,213</b>	<b>100</b>	<b>50,860</b>	<b>100</b>	<b>45,804</b>	<b>100</b>	<b>27</b>	<b>12,410</b>
Manufacturing		18,865	32	20,711	41	24,319	53	-22	-5,454
Thick flank/knuckle		8,630	15	6,056	12	3,301	7	161	5,329
Blade		5,769	10	3,160	6	2,520	6	129	3,249
Other		24,949	43	20,934	41	15,664	34	59	9,285

Source: DAWR

Australian beef offal exports to Indonesia (in tonnes swt)								%	in tonnes swt
<b>Total</b>		<b>27,812</b>	<b>100</b>	<b>23,327</b>	<b>100</b>	<b>11,848</b>	<b>100</b>	<b>135</b>	<b>15,964</b>
Manufacturing		9,945	36	7,051	30	3,279	28	203	6,666
Heart		3,974	14	4,313	18	2,421	20	64	1,552
Tongues		3,127	11	2,812	12	1,345	11	133	1,782
Other		10,766	39	9,150	39	4,802	41	124	5,964

Source: DAWR

Value – in A\$ 000								%	in A\$ 000
<b>Total</b>		<b>77,499</b>		<b>52,968</b>		<b>27,422</b>		<b>183</b>	<b>50,077</b>

Source: ABS/GTA

Australian live cattle exports to Indonesia									
Volume – in head		510,937		533,906		547,086		-7	-36,149
Value – in A\$ 000		573,916		635,665		491,216		17	82,700

Source: DAWR, ABS/GTA