MARKET SNAPSHOT | BEEF & SHEEPMEAT

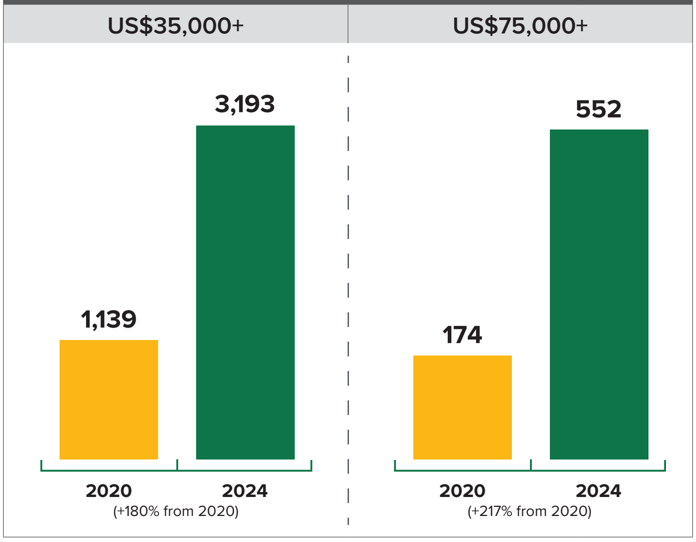
MEAT & LIVESTOCK AUSTRALIA

Indonesia

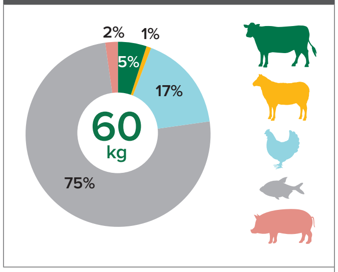
Indonesia is Australia's largest export market for cattle and beef offal and fifth largest market for boxed beef. Total red meat and livestock export value to Indonesia in the 2020 fiscal year was AU$1.2 billion, representing 6% of Australia's total export value. Indonesia possesses great growth potential thanks to its large population with a rapidly expanding, digitally connected middle-class, steady economic growth and continuing urbanisation. Australia is well-placed to capture opportunities in the Indonesian market, underpinned in part by close bilateral trade relations between the two countries and particularly the entry into force of the Indonesia-Australian Comprehensive Economic Partnership Agreement (IA-CEPA) in July 2020.

Population[1]

Household number by disposable income[2]
(thousands)



Meat consumption per capita[3]

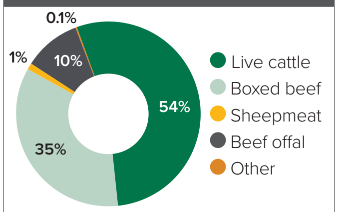


Grocery spend[4]

A$ 716 per person

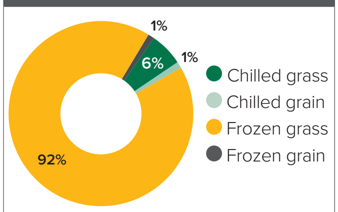
Australian beef exports

Australian exports – value[5]



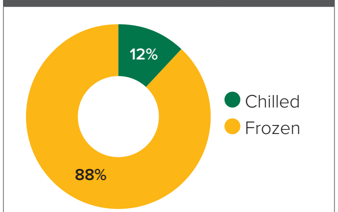
Total A$1.2 billion

Australian boxed beef exports – volume[6]



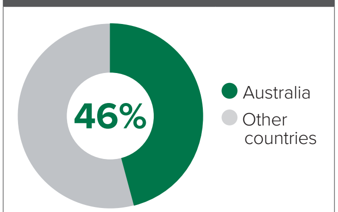
Total 57,629 tonnes swt

Australian boxed beef exports – value[7]



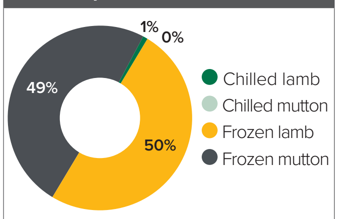
Total A$416.1 million

Australia's share of boxed beef imports[8]



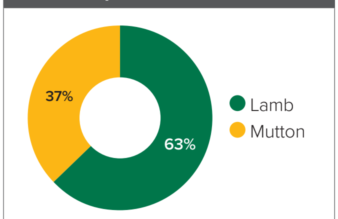
Australian sheepmeat exports

Australian sheepmeat exports – volume[6]



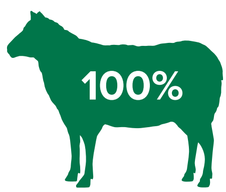
Total 1,725 tonnes swt

Australian sheepmeat exports – value[7]

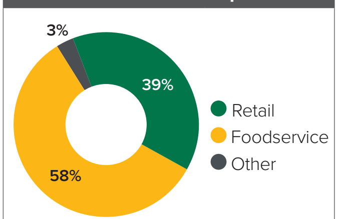


Total A$15.0 million

Australia's share of sheepmeat imports[8]



Key distribution channels of Australian sheepmeat[9]



Data source for charts: [1,2] Fitch Solutions, [3] GIRA 2020, [4] IGD 2019 (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 (FY 2019–20), [6] DAWE (FY 2019–20), [7] ABS/IHS Markit (FY 2019–20), [8] IHS Markit (FY 2019–20), [9] MLA market intelligence.

Beef

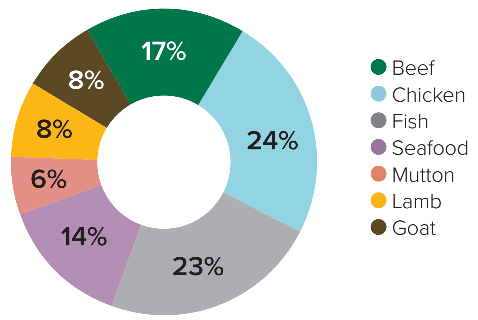
CONSUMERS

- 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 2.9kg compared to the South-East Asia region's average of 4.7kg. However, it is growing at the fastest rate, which is estimated to be approximately 7% year-on-year by 2024.
- The island of Java is home to more than 50% of the Indonesian population. It accounts for approximately 70% of the country's total beef consumption. The majority of Australian beef (about 70%) is consumed in the Greater Jakarta region.
- Beef is regarded as the most superior meat, with many strong associations, such as delicious taste and consistent quality standards. Compared to neighbouring countries, beef is seen as a more versatile meat in Indonesia.
- Due to religious reasons, Halal is an important determinant for beef purchases in Indonesia. 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.
- Freshness is also a significantly important factor influencing Indonesian consumers' purchasing decisions. Not only is beef associated with freshness but also with safety, naturalness and quality *(Source: MLA Global Consumer Tracker Indonesia, 2018).*

Important attributes when Indonesian consumers select between meats	Indonesian consumers' associations with beef
My/my family's favourite meat	The most superior meat
Easy and convenient to prepare	Willing to pay a bit more for this meat
Easy and convenient to purchase	Tastes delicious
Can be used in many different meals	The animal is well-cared for
Consistent quality standards	My/my family's favourite meat

Source: MLA Global Consumer Tracker Indonesia, 2020

Proportion of average serves in past seven days by protein

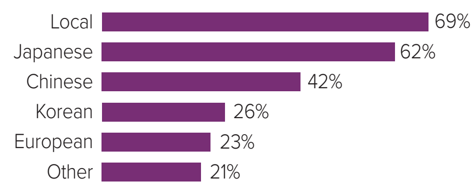


Source: MLA Global Consumer Tracker Indonesia, 2020

FOODSERVICE

- Indonesia's foodservice sector is highly fragmented, 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 becoming an increasingly integral part of modern Indonesian life due to changing lifestyles and the growing presence of foodservice venues. Indonesia is home to approximately 320 shopping malls where most modern restaurants are located and are growing in popularity as destinations for social interactions among many consumers.
- Large cities across the country are seeing a growing number of chained restaurants including steakhouses, with HolyCow, Pepper Lunch and Yoshinoya among popular chains. New food hubs offering a wide range of choices from affordable to premium are emerging in large cities, especially in Greater Jakarta.
- Millennials make up about one-third of the Indonesian population. They are the key driving force for the foodservice sector. In line with global trends, this consumer segment is aspirational and more interested in experiences than commodity *(Source: Savills Indonesia)*. When it comes to eating out, Indonesian millennials are interested in experimenting with new food trends or cuisines from different cultures *(Source: MLA Attractive Cities Study Jakarta, 2018)*.

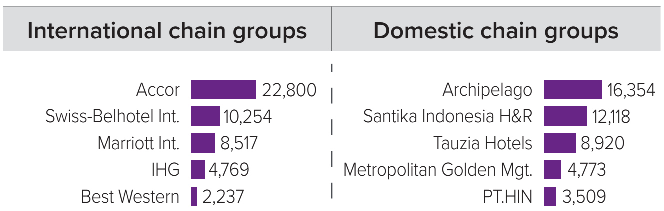
Which type of cuisine do affluent Jakarta consumers prefer when dining out*?



Source: MLA Attractive Cities Study Jakarta, 2018
** Affluent: annual incomes of US$28,000 or above ; Multiple response*

- Tourism is also an important growth driver for the foodservice sector. Indonesia is a popular tourist destinations in Asia, attracting more than 15 million tourists a year, with Bali as a dominant destination. In conjunction with the Indonesian Government's Long-Term National Tourism Development Plan (RIPPARNAS) for 2010–25, the tourism sector has expanded to other destinations such as Borobudur (Central Java), Mandalika (West Nusa Tenggara), Yogyakarta and the Riau Islands.

Indonesia's major hotel chains

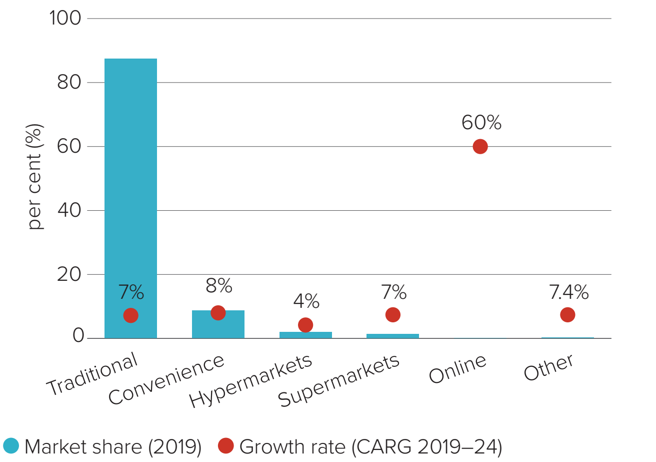


Source: Horwath HLT, Asia Pacific Hotels & Chains Report 2018

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 and Indonesian consumers' preferences for hot meat and their habit of cooking from fresh ingredients purchased on the day. The majority of beef derived from Australian cattle imported to the country is 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 value 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 habit is expected to continue with the younger affluent consumers as they are digitally savvy and favour convenience.

Indonesian grocery retail market shares and growth rates by channel

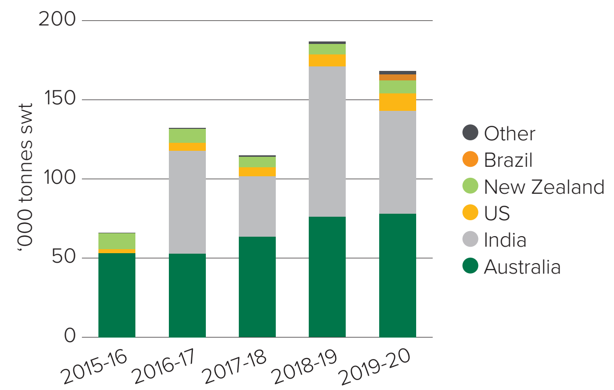


Source: IGD

COMPETITIVE LANDSCAPE

- The Indonesian beef industry comprises both local production and live cattle and beef imports, with imports contributing to approximately 70% of total beef consumption, equivalent to about 375,000 tonnes shipped weight (swt)[1]. Australia and India are the leading suppliers of beef imports to the country.
- Competition has intensified following the entry of Indian buffalo meat and the introduction of the Indonesian Government's retail beef price ceiling policy[2] since 2016 as part of its efforts to stablise 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 45% 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.
- The significant impacts of COVID-19 on the economy, tourism, foodservice, logistics and consumer incomes, as well as the depreciation of the Indonesian Rupiah, have all adversely affected demand for beef imports. Total beef imports in the first half of 2020 dropped 35% year-on-year to 52,300 tonnes swt (from 81,400 tonnes swt).

Indonesia beef imports



Source: IHS Markit, Australian Fiscal Year

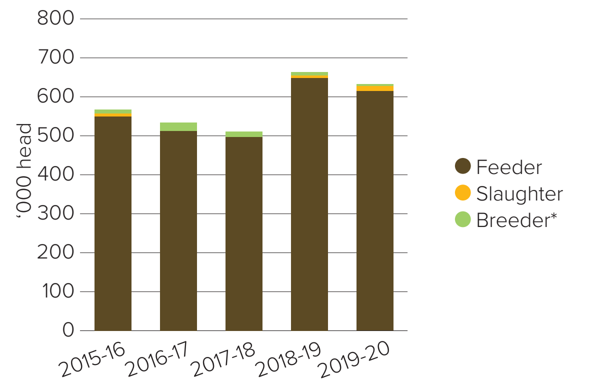
- Indonesia's allocation for Indian buffalo meat for 2020 is around 170,000 tonnes swt, but due to COVID-19 disruptions only 5,000 tonnes had been realised as at June 2020. The market is expected to see more Indian buffalo meat coming in during the rest of the year.
- Brazil has regained access for frozen beef to Indonesia since August 2019. Similar to Indian buffalo meat, importation of Brazilian beef is undertaken by state-owned enterprises. Allocation for Brazilian beef in 2020 is 20,000 tonnes swt, however, there were no import records for the first half of the year.
- Imports from the US and Spain have increased at rapid rates of 37% and 89% per year, respectively. US and Spanish beef products compete with Australian boxed beef in modern retail and foodservice channels.

[1] Included beef and beef offal, [2] Ref: MoT regulation 7/2020

AUSTRALIAN LIVE CATTLE EXPORTS

- Indonesia is the largest market for Australian live cattle exports, accounting for approximately 45% of the market share. 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).*
- Economic impacts of the COVID-19 pandemic, combined with fluctuating cattle prices from Australia and the weakening Indonesian Rupiah have softened Indonesia's demand for cattle imports. Shipments for the year-to-August declined 27% year-on-year to 336,313 head (from 458,148 head).
- As part of the Indonesian Government's effort to increase local beef production, the government imposed a '5% breeder-feeder' import policy, which requires importers to import 5% breeders on total feeders imported. However, the policy has been temporarily halted due to COVID-19.

Australian live cattle exports to Indonesia

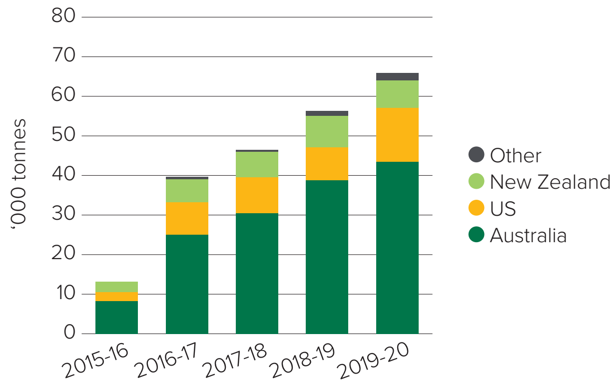


Source: DAWE
** included breeder and productive cattle as per DAWE's classification*

AUSTRALIAN BEEF OFFAL EXPORTS

- Beef offal is also popular in Indonesian cuisine, widely used across the household, foodservice and manufacturing sectors. Tongue is among popular cuts used in a variety of Indonesian dishes, while tongue root is widely used to make processed foods.
- Indonesia is the largest export market for Australian beef offal products, with export volumes growing constantly at a healthy rate of 17% annually.
- Overall demand for beef offal has surged in recent years. 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

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 (281,215 head, reset on 1 January 2021), **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

		2019–20	% of total	2018–19	% of total	five-year average (2014–15 to 2018–19)	% of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
Total		57,629		54,417		52,352		10	5,276
Storage	Chilled	3,986	7	4,502	8	3,743	7	6	243
	Frozen	53,643	93	49,915	92	48,609	93	10	5,034
Meat type	Grassfed	56,693	98	53,324	98	51,357	98	10	5,337
	Grainfed	936	2	1,093	2	996	2	-6	-60
Storage/meat type	Chilled grassfed	3,457	6	4,042	7	3,209	6	8	248
	Chilled grainfed	529	1	460	1	534	1	-1	-5
	Frozen grassfed	53,236	92	49,282	91	48,148	92	11	5,089
	Frozen grainfed	407	1	633	1	462	1	-12	-55

Source: DAWE

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
Total		416,057		322,373		300,296		39	115,761
Storage	Chilled	49,448	12	48,459	15	42,757	14	16	6,691
	Frozen	366,609	88	273,915	85	257,539	86	42	109,070

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	17,364	30	13,674	25	22,898	44	-24	-5,533
Thick flank/knuckle	7,187	12	7,536	14	5,018	10	43	2,169
Brisket	6,741	12	7,678	14	4,312	8	56	2,430
Other	26,336	46	25,529	47	20,125	38	31	6,211
Total	57,629		54,417		52,352		10	5,276

Source: DAWE

Australian beef offal exports to Indonesia (in tonnes swt)

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	13,320	36	11,286	33	6,893	32	93	6,427
Heart	6,169	16	5,461	16	3,572	17	73	2,598
Lungs	4,903	13	3,508	10	1,964	9	150	2,940
Other	13,121	35	13,945	41	8,838	42	48	4,283
Total	37,513		34,201		21,266		76	16,248

Source: DAWE

Value of Australian beef offal– in A$ 000

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
Total	120,779		102,365		56,119		115	64,660

Source: ABS/IHS Markit

Australian live cattle exports to Indonesia

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	change
Volume – in head	632,188		663,363		602,943		5	29,245
Value – in A$ 000	650,427		687,856		614,005		6	36,422

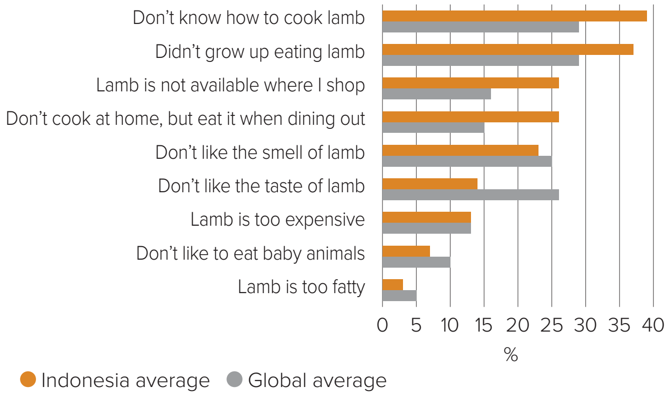
Source: DAWE, ABS

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 *Idul Fitri*.
- 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.
- A small portion of consumers (26%) say they do not cook sheepmeat at home but do consume it when they dine out.
- 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 in learning how to cook more exciting sheepmeat dishes than other segments *(Source: MLA Attractive Cities Study Jakarta, 2018)*. Some indicate that they would try to buy and cook sheepmeat if they have tried it out in a restaurant, are given a free sample or provided with recipe ideas.

Reasons Indonesian consumers don't buy lamb

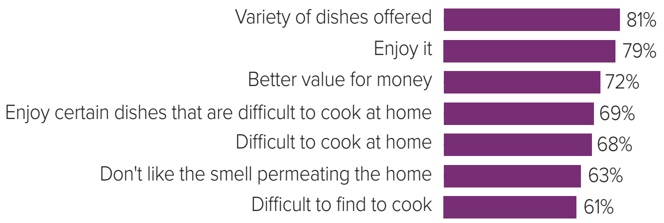


Source: MLA Global Consumer Tracker Indonesia, 2019

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.
- Tourism is another important factor driving growth for sheepmeat sales in foodservice.
- Australian sheepmeat exports to Indonesia are typically utilised in mid to high-end restaurants.

What motivates affluent Jakarta consumers to eat sheepmeat* when they dine out?



Source: MLA Attractive Cities Study Jakarta, 2018
**includes goatmeat*

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)*.

Top five factors influencing Indonesian consumers' lamb purchase decisions*

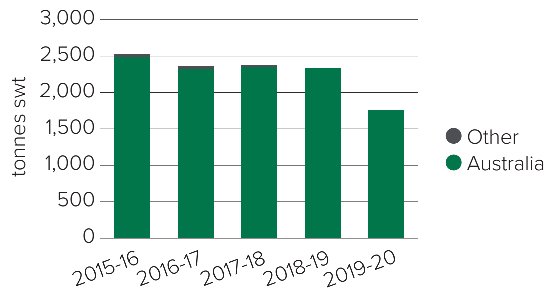
1	Halal certification
2	100% natural
3	Quality grading or guarantee
4	Use/sell by date
5	Organic

Source: MLA Global Consumer Tracker Indonesia, 2017
**when they are selecting lamb at a retail outlet*

COMPETITIVE LANDSCAPE

- Indonesia has a relatively large local sheep and goat population in the South-East Asian region, 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



Source: IHS Markit, Australian Fiscal Year

Market access overview

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

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
	Total	**1,725**		**2,211**		**2,328**		**-26**	**-603**
Storage	Chilled	23	1	25	1	27	1	-17	-5
	Frozen	1,703	99	2,186	99	2,301	99	-26	-598
Meat type	Lamb	876	51	1,045	47	1,071	46	-18	-195
	Mutton	850	49	1,166	53	1,258	54	-32	-408
Storage/ meat type	Chilled lamb	23	1	25	1	27	1	-17	-5
	Chilled mutton	-	0	-	0	0.4	0	-100	0
	Frozen lamb	853	49	1,021	46	1,044	45	-18	-190
	Frozen mutton	850	49	1,166	53	1,257	54	-32	-408

Source: DAWE, figures are rounded

Value – in A$ 000

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	%	in A$ 000
	Total	**14,961**		**17,080**		**14,737**		**2**	**224**
Storage	Lamb	9,375	63	11,442	67	9,287	63	1	88
	Mutton	5,586	37	5,638	33	5,450	37	2	136

Source: ABS/IHS Markit

Volume - by major cut (in tonnes swt)

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	%	in tonnes swt
Lamb	Leg	406	46	529	51	466	44	-13	-60
	Carcase	141	16	108	10	153	14	-8	-13
	Rack	127	14	172	16	184	17	-31	-57
	Other	202	23	235	23	267	25	-24	-65
	Total	**876**		**1,045**		**1,071**		**-18**	**-195**
Mutton	Carcase	621	73	868	74	968	77	-36	-347
	Rack	105	12	44	4	22	2	374	83
	Leg	75	9	159	14	172	14	-56	-97
	Other	48	6	95	8	95	8	-49	-47
	Total	**850**		**1,166**		**1,257**		**-32**	**-408**

Source: DAWE

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