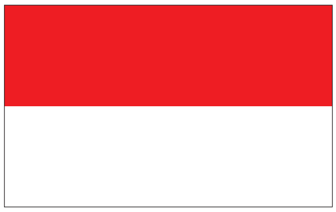
MARKET SNAPSHOT | BEEF

Indonesia



Indonesia has the 4th largest population in the world with the number of households earning over US$15000 p.a. being 7 million in 2016. The number of households earning over this is forecast to almost triple by 2020. With the majority of the population being Muslim, chicken and beef are the primary meats consumed. This is a highly price sensitive market, Australian beef is the favourite beef but frequency of consumption is low.

Challenges and opportunities in Indonesia for Australia include:

- Entry of Indian buffalo meat in a highly price sensitive market.
- While Australia currently remains a top boxed beef supplier to the market, Indian buffalo meat is gradually increasing its presence in wet markets and the manufacturing sector.
- Complex import regulations governed by the Indonesian authorities – including import permit system, and newly introduced '5+1 feeder-breeder' policy for live cattle imports.
- Increasing number of modern supermarkets and foodservice venues in major cities provide opportunities to promote country of origin, taste and the consistent quality of Australian products.

Population

260.6 in 2016 | **271.9** in 2020

In million

Source: BMI Research, 2016 estimate & 2020 projection

Households earning US$15000+ p.a.

7.0 in 2016 | **19.4** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

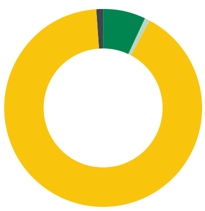
Households earning US$35000+ p.a.

0.9 in 2016 | **3.2** in 2020

In million households

Source: BMI Research, 2016 estimate & 2020 projection

Australian boxed beef exports – volume



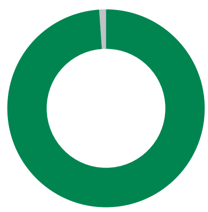
Total 61,676 tonnes swt

Source: Department of Agriculture and Water Resources (DAWR), CY 2016

Proportion of key cuts

*Source: DAWR, CY 2016. * See page 4 for further breakdown*

Australian live cattle exports



Total 604,120 head

*Source: DAWR, ABS, CY 2016. * Beef & Dairy breeder cattle*

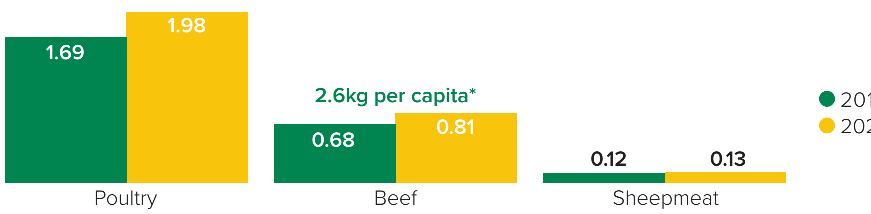
Value of Australian trade

Total A$ 980 million

Source: ABS/GTA, MAT November 2015 to October 2016.
** includes boxed beef offal*

Meat consumption

12.6kg per capita* total meat protein**



In million tonnes cwt

Source: BMI Research, OECD (includes goatmeat), 2016 estimate and 2020 projection

** 2016e per person per year ** excluding fish/seafood*

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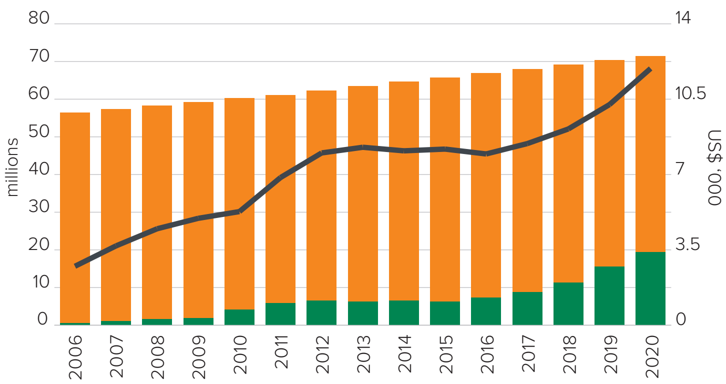
Consumers

- Indonesia has the fourth largest population in the world, with 67% (or 175 million) being 'working age' (between 15 to 64 years old).
- While the current number of consumers who can regularly afford to buy imported beef is comparatively small, the country is undergoing rapid economic growth, creating a large mass of urban, middle class consumers.

Indonesian household (HH) income



Source: BMI Research. 2016^ = forecast

- With the majority of consumers being Muslim, beef and chicken are the most common meat proteins in Indonesia.
- Consumers have strong, positive associations with Australian beef, particularly desired for its taste, nutritional value and quality. In turn, local beef is more associated with freshness, price (cheaper) and being halal *(Source: MLA Global Consumer Tracker, 2016).*

What attributes do consumers in Jakarta associate with...

Beef	Chicken
Tastes delicious	Convenient to prepare
Animal is well-cared for	Cheap
Most superior meat	Used in different meals
Consistent quality	Safe to eat
Family's favourite	Healthy diet for children
Willing to pay more for this meat	

Source: MLA Global Consumer Tracker, 2016

Many consumers in Jakarta utilise both traditional and modern outlets to purchase beef

Foodservice

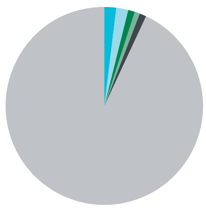
- Consumers in Jakarta enjoy eating out – about 150 times a year for lunch, and 100 times for dinner *(Source: MLA Global Consumer Tracker, 2016).* While chicken is most often consumed on these occasions due to its affordability, beef and seafood are also popular.
- The most traditional beef dish in Indonesia is bakso ball – beef meat ball soup, sold by street vendors, as well as in food courts and restaurants.
- Urban consumers are fast embracing a diverse food culture, ranging from grainfed loin steaks, Korean style table top barbeque to Japanese gyudon beef rice bowl.
- Australian beef is utilised across the foodservice sector, with country of origin often clearly displayed as a point of difference.

Retail

- Indonesia's modern retail sector is rapidly expanding, however it is still the traditional and individual small outlets that dominate the daily grocery purchase (displayed as Other in below chart).

Grocery retail market share

Major organised retailers – 2016



Source: IGD
** convenience store ** include wet markets*

- Modern retailers often sell boxed beef imported from Australia, as well as beef from Australian cattle lot-fed in Indonesia.

Key retailers of Australian beef
Carrefour (Hyper and supermarkets)
Ranch Market
Hypermart (Matahari)
Giant (Dairy Farm)

Source: MLA

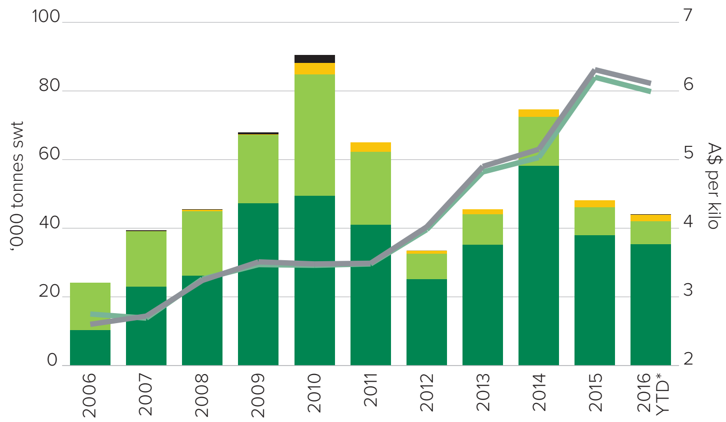
When shopping for beef, Jakarta consumers are influenced by:
Seeing it on a shelf
Friend/relative
Food websites
In-store shop display/leaflet

Source: MLA Global Consumer Tracker, 2016

Other beef suppliers

- Australia was the major supplier of imported beef to Indonesia (with a market share of 81%), followed by New Zealand (15%) and the US (4%) from August 2015 to July 2016 (data does not include India as recent import data is not yet available).
- The Indonesian government is seeking to provide more affordable beef to consumers. To facilitate this, the government approved 10 Indian meat establishments for exports of frozen, boneless, deglanded buffalo meat to Indonesia, in August 2016.
- Currently, BULOG (National Food Logistic Agency) is the sole importer of Indian buffalo meat into Indonesia. As at end of December 2016, approximately 25,000 tonnes swt of Indian buffalo meat have reportedly been imported into the market, with an additional 85,000 tonnes swt anticipated to arrive prior to Ramadan which runs May-June 2017.
- Besides wet markets, Indian buffalo meat is sold in modern hypermarkets and meat shops, as well as being a key ingredient of bakso balls for the manufacturing sector.

Indonesia beef imports by supplier

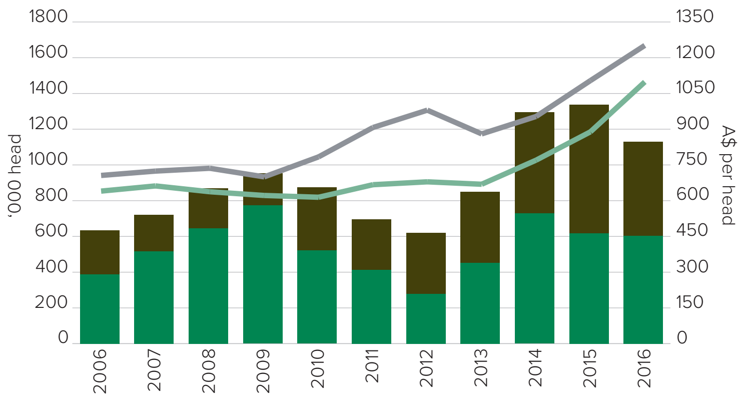


*Source: GTA * YTD Jan-Jul*

Live cattle exports

- Indonesia is Australia's largest destination for live cattle exports. In 2016, 595,950 feeder cattle were shipped to the market, down 3% from the previous year*, largely influenced by strong livestock prices from Australia and delays in issuing permits in Indonesia *(*Source:DAWR).*
- Commonly, Australian cattle are processed after being lot-fed in Indonesia for 90 to 120 days. Beef from Australian cattle is widely distributed; sold through wet markets, used in manufacturing of bakso balls, and a small percentage is sold through modern retail outlets. These products are an integral part of the market's beef consumption.
- Australia is currently the sole external supplier of cattle to the market. With the Indonesian government's efforts to reduce beef prices, it has recently approved Mexico as a potential supplier of cattle to Indonesia, however there has been no trade as of January 2017.

Australian live cattle exports



Source: ABS/GTA. DAWR/ABS. 2016 average values are Jan-Oct figures.
There might be minor differences between the ABS/GTA data above and other reports published by DAWR owing to differences in the data extraction dates and source.

Trade access

- A priority for the Indonesian government is to achieve food security through being self-sufficient in a number of food commodities, including beef. The government aims to boost its domestic cattle/beef production through a number of public initiatives, including imports of breeding cattle. Concurrently, the government manages import volumes of beef and live cattle through an import permit system.
- The Indonesian government stated during the last quarter of 2016 that there are no longer quotas placed on boxed beef or live cattle imports. However, all imports are still subject to a recommendation and an import permit (by the Indonesian Ministry of Agriculture and Ministry of Trade, respectively).
- With regard to boxed beef, the government also regulates the type of meat and offal products that can be imported into the country.
- For live beef cattle (i.e. non-breeder cattle), weight restrictions limit imports to young, lighter animals destined for local feedlots. Additionally, the '5+1 feeder-breeder' import policy (that importers must import one breeder cattle per every five feeder steer) has been in place since October 2016, adding further complexity to both Australian and Indonesian live cattle trade operations.
- IA-CEPA: The fifth round of Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) negotiations was held in November 2016. The IA-CEPA could address impediments to bilateral trade, and explore ways to enhance economic cooperation in specific sectors identified as key drivers of economic growth. The agricultural sector is one of the key discussion items in the negotiations.

Ramadan

- Beef demand surges during festive seasons, including Ramadan month. Ramadan dates are based on a lunar calendar, and migrate throughout the seasons. Subsequently, the timing of demand spike for red meat changes with it every year.

Ramadan schedule

Year	First day	Last day
2017	**May 27**	**Jun 25**
2018	May 16	Jun 14
2019	May 6	Jun 4
2020	Apr 24	May 23

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

Market Access Overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
AANZFTA* Entered into force in 2010 **IA-CEPA**** Under negotiation	**Boxed beef – 5%** on chilled & frozen bone-less beef*** **Live cattle – 5%** (0% for pure-bred breeding cattle)	**India** (buffalo meat): India-ASEAN FTA. 5% tariff **US:** No bi-lateral trade agreement. 5% tariff	No safeguard or quota system, although import volumes are managed by the Indonesian government's import permit system****	Complex protocols and regulations (see page 3)

Best access — Major challenges

Source: Trade agreements, DFAT, MLA
** ASEAN-Australia-New Zealand Free Trade Agreement*
*** Indonesia-Australia Comprehensive Economic Partnership Agreement*
**** to be eliminated by 2020 **** '5+1 feeder-breeder' policy for live cattle imports also adds to the complexity of feeder cattle trade*

Australian beef exports to Indonesia – summary table

volume – in tonnes swt

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	change 2016 vs 5-yr av. %	change 2016 vs 5-yr av. in tonnes swt
	Total	61,676	100	39,134	100	39,676	100	55	22,000
by storage	Chilled	4,667	8	1,424	4	3,334	8	40	1,333
	Frozen	57,009	92	37,710	96	36,341	92	57	20,667
by meat type	Grassfed	60,525	98	38,372	98	39,018	98	55	21,508
	Grainfed	1,151	2	762	2	658	2	75	493
by storage/ meat type	Chilled grassfed	4,139	7	1,014	3	2,867	7	44	1,272
	Chilled grainfed	528	1	410	1	467	1	13	61
	Frozen grassfed	56,387	91	37,359	95	36,151	91	56	20,236
	Frozen grainfed	622	1	351	1	191	0	226	431

Source: DAWR

value – in A$ 000

		2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in A$ 000
	Total	321,903*	100	243,965	100	201,501	100	60	120,402
by storage	Chilled	43,368*	13	26,215	11	32,519	16	33	10,849
	Frozen	278,535*	87	217,751	89	168,982	84	65	109,554

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

volume – by major cut (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing	36,143	59	28,974	74	19,927	50	81	16,217
Brisket	4,031	7	168	0	932	2	333	3,099
Striploin	3,662	6	2,663	7	1,556	4	135	2,107
other	17,840*	28	7,330	19	17,262	44	3	578
Total	**61,676**	**100**	**39,134**	**100**	**39,676**	**100**	**55**	**22,000**

*Source: DAWR. * Includes thick flank/knuckle (3,165 tonnes swt or 5% of total exports in 2016), short ribs (2,492 tonnes swt or 4%), topside/inside (2,391 tonnes swt or 4%), silverside/outside (1,408 tonnes swt or 2%), blade (1,283 tonnes swt or 2%), rump (1,009 tonnes swt or 2%), and carcase (966 tonnes swt or 2%).*

Australian BEEF OFFAL exports to Indonesia (in tonnes swt)

	2016	% out of total	2015	% out of total	5 year average (2011-2015)	% out of total	%	in tonnes swt
Manufacturing*	6,155	34	126	8	2,264	25	172	3,892
Lips	2,692	15	-	0	1,096	12	146	1,596
Tongues	2,592	14	681	42	554	6	368	2,038
other	6,716	37	834	51	5,277	57	27	1,439
Total	**18,155**	**100**	**1,641**	**100**	**9,190**	**100**	**98**	**8,965**

*Source: DAWR. * Manufacturing includes tongue root, tongue root meat and tongue trimming.*

value – in A$ 000

	2016		2015		5 year average (2011-2015)		%	in A$ 000
Total	**31,300***		**11,207**		**20,277**		**54**	**11,022**

Source: ABS/GTA. 2016 = Moving Annual Total (MAT), November 2015 to October 2016.*

Australian LIVE CATTLE exports to Indonesia

Live Cattle Exports	2016		2015		5 year average (2011-2015)	
Head	604,120		618,323		498,292	
Value – in A$ 000	626,424		548,772		374,935	

Source: Head = DAWR/ABS, CY2016. Value = ABS/GTA, MAT Nov 2015 to Oct 2016.