**Indonesia Market Overview**

**Market Summary**
Indonesia was the 8th largest export market for US agricultural products in 2014 with exports at $2.91 billion. In 2015 however, it dropped to $2.19 billion led by a 21% drop in consumer-oriented goods which includes a decline in the export value of dairy products, fresh fruit and beef.

Demand for imported food ingredients is growing. Food manufacturers are continually developing new food and beverage products including snacks.

Indonesian consumers tend to be price conscious and are susceptible to economic swings, particularly amongst middle and lower income level consumers. Overall, customers tend to prefer purchasing imported products in smaller, less expensive portions.

During both Muslim and Chinese holiday seasons, consumer spending increases. The most important holiday seasons are Ramadan (the month-long Muslim fasting period in which food consumption goes up significantly), Idul Fitri (the Muslim celebration at the end of Ramadhan), and Chinese New Year. Indonesians consume significantly greater amounts of flour, sugar, eggs, baking ingredients, poultry, meats, cheeses, cakes, cookies, pastries, and fresh and dried fruits and nuts during these holidays.

Indonesia has a large consumer base with 261 million people in 2017 and more than half in the middle-class bracket.

There are good opportunities for high-value U.S. items that are not yet imported in significant quantities. These include baby foods, organic foods, and specialty fruits (especially berries).

Some of the best-selling processed foods include frozen french fries, popcorn, corn chips, mixed fruit juices, frozen and canned vegetables, ice cream, raisins, jams, almonds, baking mixes, dressings, sauces, and seasonings.

**Market Statistics**
- Total land area of 1,910,931 square kilometres
- Total population of 261.52 million people (2016) comprising 40.1% Javanese, 15.5%, Sundanese, 3.7% Malay, 3.6% Batak, 3% Madurese, 2.9% Betawi, 2.7% Minangkabau, 2.7% Buginese, 2% Bantenese; 1.7% Banjarese, 1.7% Balinese, 1.4% Acehnese, 1.4% Dayak, 1.3% Sasak, 1.2% Chinese and 15% others
- 87.2% of the population are Muslims, 7% Christians, 2.9% Roman Catholic, 1.7% Hindus and 1.2% others
- The median age is 28.6 years
- Population growth rate is 1.22% (2016 est)
- Bahasa Indonesia (modified form of Malay) is the official language; English, Dutch and local dialects (of which the most widely spoken is Javanese) are also spoken. More than 700 languages are used in Indonesia
- GDP per capita is US$3,374 (2015)
- The largest economy in the Association of Southeast Asian Nations (ASEAN)
- US$1 = IDR13,003.17

**Trade:**
Indonesia maintains free trade agreements (FTA) with ASEAN-China, ASEAN-South Korea, ASEAN-Australia and New Zealand, ASEAN-India, Indonesia-Japan and Indonesia-Pakistan. Despite the gradual reduction in tariffs and quotas following these agreements, exporters and importers still continue to face lengthy and cumbersome custom procedures and non-tariff measures.

13th largest export market for US agricultural products.

The product registration number (ML) requirements for retail food package remains time consuming and bureaucratic, although significant progress has been made. Issues pertaining to food labeling remain complicated and unclear.

Consumers prefer smaller package size and importers are often not able to order in container loads.

**Organic Food**
There is growing interest in organics and products perceived as ‘healthy’.

Health and wellness in Indonesia still has great potential to grow with consumer product awareness remaining relatively low.

Consumers are concerned about food additives, high amount of MSG, fat, sugar, salt and preservatives in packaged food.

Organic packaged food products have to certified by an accredited certification organization.
Besides organic rice, organic breakfast cereals, confectionery, dairy products and pasta are available in specialty stores.

On the other hand, naturally healthy packaged food products are distributed mainly via supermarkets and hypermarkets.

**Import structure**

![Diagram showing the flow from US Exporter to Importer/Distributor/Retailer to Supermarkets]

**Import Procedures**

According to Indonesian regulations, imported products packaged for retail sale must be registered with the BPOM to obtain a ML number. The registration process can be lengthy, bureaucratic, and costly.

The Indonesian Ministry of Trade issued regulations 83/2012 and 61/2013 (amended by MOT regulation No. 87/2015), limiting ports of entry and pre-shipment inspection for imported products falling under 505 Indonesian 10-digit harmonized tariff codes, (including 215 food and beverage lines).
Horticultural products that arrive in Indonesian after November 28, 2012, should be inspected by a surveyor at the country of origin prior to shipment.

Indonesian bound tariff rates on major food and agricultural items generally range from 5 to 40 percent. Import duties for a number of processed food products mostly range from 5 to 10 percent except for 153 items of imported high value products (GAIN ID1530).

Duties are applied to all imported alcoholic beverages. Starting July 2015, the specific tariff charge moved back to ad valorem tariff. Sales tax is 2.5 percent and excise tax for imported alcoholic beverage and alcoholic concentrate ranges between Rp. 13,000-139,000/liter (approximately $1.06 to $11.30), depending on the percentage of ethyl alcohol content. Additional information on alcoholic beverages can be found at the following links: ID1530, ID1408 and ID 1411.

Import documents should be concise, simple and complete. If all documentation is complete, customs clearance can be finished in two days (green line) and 5-7 days (red line and yellow line). Incomplete documentation can result in long delays. A presidential initiative was introduced in 2015 to reduce port dwelling times. Importers report that progress is slow, but that the President is monitoring progress closely.

**Market Entry Information**
Import regulations are often complex thus requiring close business relationships with local importer.

Halal certification is not mandatory at this time but it will be enforced in October 2019 based on Halal Product Assurance (JPH) Law No, 33/2014. Given that almost 90 percent of the population professes the Islamic faith, it is highly recommended that halal certification be obtained.

Imported processed foods which are primarily derived from horticultural products (jams, fruit juices, pickles, canned fruits, etc.) require prior approval from BPOM (for retail) or the Ministry of Industry (MOI) (for value-added processing).

**Local Business Customs & Practices**
Agents/importers are only allowed to register imported package products for retail purpose in order to obtain an imported food registration (ML) number to BPOM. So choosing a local agent is a very important decision. Several principles to keep in mind when choosing a local agent are:

- Conduct careful, detailed research in order to confirm claims. Prospective representatives who claim connections to important people should be treated with extreme caution. Such connections are not necessary - commercial acumen is of greater value in the market.

- Do not grant exclusive rights to a local representative until after working with them in order to gain a clear understanding of their capabilities.
- Pay attention to accounting standards applied in the preparation of reports supporting the financial standing of a potential representative or partner.

Most importers also act as distributors, whether as exclusive agents or as consolidators, and have offices or local distributors in major cities all over Indonesia.

Educate the importer, the retailer, and the consumer about your product. Exporters should not assume that Indonesian companies know how to promote, handle, and prepare imported products. Food processors often require assistance developing products using imported food ingredients. Support your importer, distributor, and agent by maintaining product quality.

Market research, especially for product testing, price comparison, and adjusting the product for local tastes is important. Importers, distributors, food service providers, and retailers can help with market research as well as understanding government regulations, which is critical.

While quality and price are important, they are secondary to the personal interaction with business partners. Face-to-face meetings are very important to Indonesians, though younger importers are more comfortable with establishing their relationships via electronic communication. Exporters usually must visit Indonesia 2-3 times before details are finalized.

Product should be packed and shipped for a tropical climate and have clear storage instructions. Few cold storage or air-conditioned facilities and delivery trucks exist. Sometimes stores turn off cold storage facilities at night to conserve energy.

(Source: Euromonitor, CIA Fact sheet, GAIN report)

Other resources:

U.S. companies seeking more information on market entry can contact:

WUSATA for GPS program  
Email: Tiffany Cassidy at tiffany@wusata.org

USDA local contact:  
Email: Rangkuti, Fahwani at Fahwani.Rangkuti@fas.usda.gov