Market Brief Indonesia

Global exports to Indonesia in 2016/2017
- Rank at #7 in the global dairy market (by volume).
- Exports to Indonesia have increased by 3.8% on average over the last 5 years.
- The biggest volume growth (product categories exceeding US$20 million) has been in: Ice Cream (80.4%).
- The biggest volume decline (product categories exceeding US$20 million) has been in: Infant Formula (-15.2%).

Australian market share in 2016/2017
- Rank at #7 in the share of the Indonesia import volume.
- Destination for 52.3 thousand tonnes of Australian dairy product, worth US $120.2 million 2016/2017.
- Australian exports to Indonesia have increased by 6.5% over 5 years.
- The biggest volume growth (product categories exceeding US$1 million) has been in: SMP (14.0%).
- The biggest volume decline (product categories exceeding US$1 million) has been in: WMP (-36.0%), Whey Powder (-38%) and Butter (-26%).

Market developments
Indonesia is a large but under-developed market for dairy exports, with growing household incomes and increased urbanisation leading to an increase in household food expenditure and increased consumption of animal protein and fat. Consequently, consumption of animal derived products such as dairy has risen significantly.

Long-term fundamentals point to Indonesia’s increasing importance as an export market. However, dairy exporters face a number of challenges in doing business in Indonesia. Firstly, the distribution of the population across numerous islands and the often poor infrastructure make distribution difficult, and limit most companies to Java (which contains both Jakarta and Surabaya) and Bali (more focussed on tourism and hotel channels). Cold chains necessary for the distribution of chilled and fresh dairy products are also under-developed.

Political uncertainty and large capital account imbalances increase the possibility of capital flight and further exchange rate volatility.

Domestic policy settings may also present challenges for Australian exports. Whilst the Indonesian Government has committed to improving port processing times and streamlining the inspection and approval process for agricultural imports, it also remains subject to protectionist and economic nationalist tendencies. Citing the need for ‘food sovereignty’ the government raised tariffs on imported foodstuffs in 2015, and also placed other non-tariff restrictions on trade with little prior consultation.

A combination of reduced consumer purchasing, government trade restrictions and importer uncertainty has seen the value of dairy imports in 2015-16 fall. Australia’s position in this market is dependent on overcoming non-tariff and technical barriers to trade imposed by the Government of Indonesia, underscoring the importance of the ongoing CEPA initiative.

Tariff environment
The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) entered into force in 2010. Indonesia is the sole signatory not to have implemented the First Protocol. A summary of current tariffs for the six major dairy categories imported by Indonesia can be found in Figure 7 *.

Key international marketing programs and activities
Dairy Australia runs or is involved in a number of marketing programs and activities in Indonesia. The South East Asia Dairy Scholarship program began in 2015, aimed at familiarising dairy and food industry professionals from the region with aspects of the Australian dairy industry. The Australian dairy industry was further promoted in 2015 by a series of food seminars and cooking demonstrations featuring chef Tim Hollands.

* Figures shown on the overleaf
### Figure 1 Dairy imports

![Dairy imports chart](chart1.png)

### Figure 2 Top dairy imports by volume

![Top dairy imports by volume chart](chart2.png)

### Figure 3 Top dairy imports by USD value

![Top dairy imports by USD value chart](chart3.png)

### Figure 4 Top Australian dairy exports by volume

![Top Australian dairy exports by volume chart](chart4.png)

### Figure 5 Top Australian dairy exports by USD value

![Top Australian dairy exports by USD value chart](chart5.png)

### Figure 6 Australia’s exports

<table>
<thead>
<tr>
<th>Product group</th>
<th>Export value (USD)</th>
<th>Export volume (tonnes)</th>
<th>Market share (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>5</td>
<td>2</td>
<td>1,583</td>
</tr>
<tr>
<td>Cheese</td>
<td>19</td>
<td>19</td>
<td>3,296</td>
</tr>
<tr>
<td>SMP</td>
<td>70</td>
<td>81</td>
<td>21,578</td>
</tr>
<tr>
<td>Whey Powder</td>
<td>18</td>
<td>13</td>
<td>6,175</td>
</tr>
<tr>
<td>WMP</td>
<td>19</td>
<td>2</td>
<td>5,469</td>
</tr>
<tr>
<td>Grand Total</td>
<td>144</td>
<td>120</td>
<td>38,100</td>
</tr>
</tbody>
</table>

### Figure 7 Dairy tariffs

<table>
<thead>
<tr>
<th>Tariff category</th>
<th>Product category</th>
<th>Applied tariff</th>
</tr>
</thead>
<tbody>
<tr>
<td>04021010</td>
<td>Milk and cream, concentrated or containing added sugar or other sweetening matter: Skimmed milk powder</td>
<td>4%</td>
</tr>
<tr>
<td>04022120</td>
<td>Milk and cream, concentrated or containing added sugar or other sweetening matter: Whole milk powder</td>
<td>4%</td>
</tr>
<tr>
<td>04051000</td>
<td>Butter and other fats and oils derived from milk; dairyspreads: butter</td>
<td>Free</td>
</tr>
<tr>
<td>04063000</td>
<td>Cheese and curd: Fresh (unripened or uncured) cheese, including whey cheese</td>
<td>Free</td>
</tr>
</tbody>
</table>

Applied Tariffs are drawn from Integration Point. Where Australia does not have a specific tariff agreement in place, the Applied Rate for qualifying product is the MFN rate. Where a specific tariff agreement exists, the Applied Rate for qualifying product is as per that agreement. The countries with specific agreements in place are: India (ChAFTA), Indonesia (AANZFTA), Japan (AFTA) The Republic of Korea (KFTA), Malaysia (MAFTA), Philippines (AANZFTA), Singapore (SAFTA), Thailand (TAFTA), and the USA (AUSFTA).

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