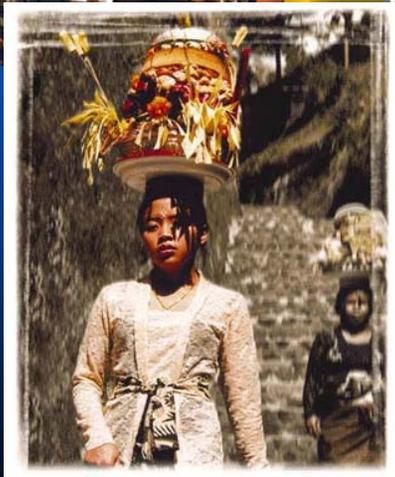


# Indonesia as a Growth Market: Challenges and Opportunities

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*Indonesia*

# Country Overview



## Land

- Area slightly smaller than Texas x 3
- Arable land: 11%
- Farm labor: 45 million

## Economy

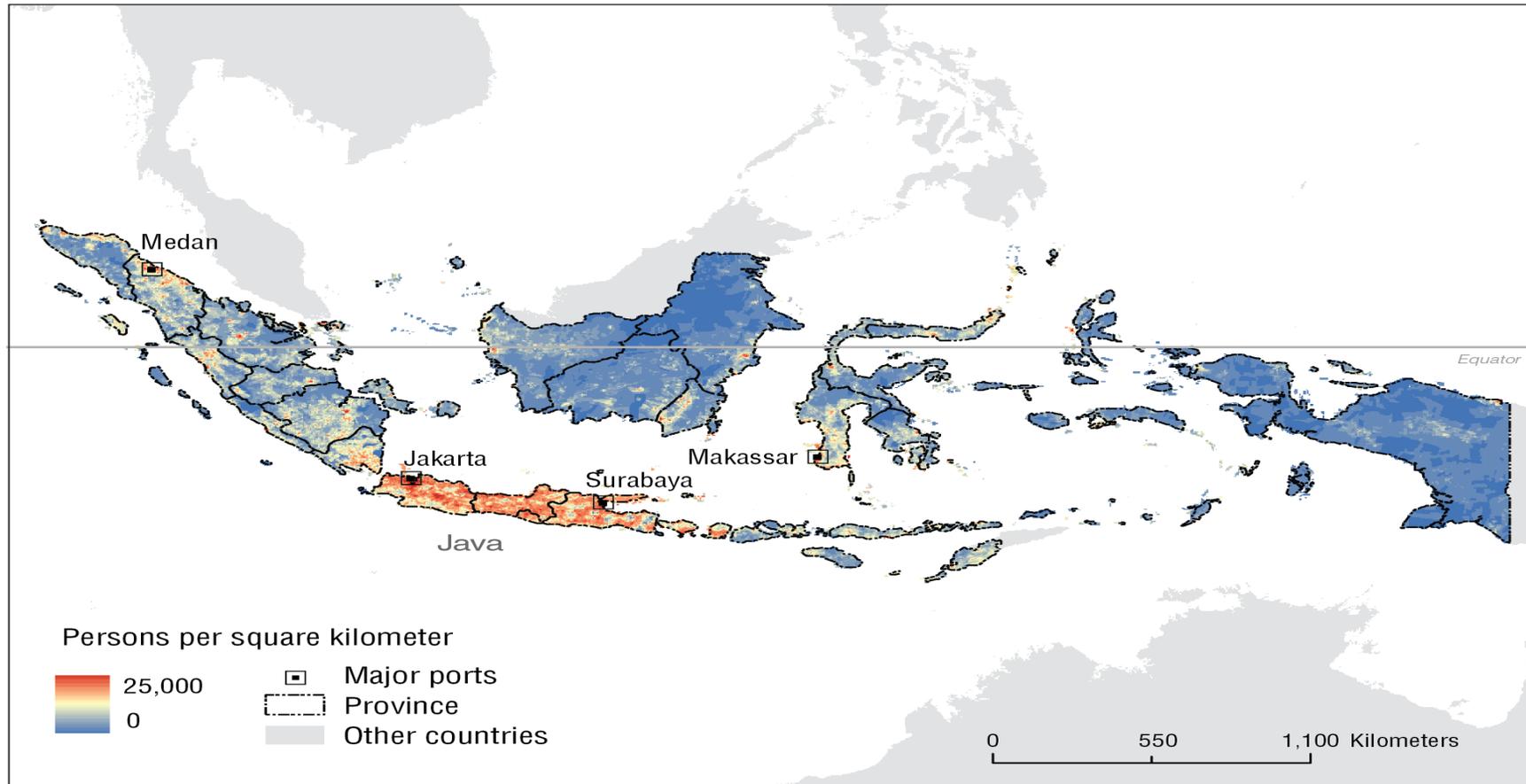
- GDP: \$1.1 trillion (2011 ppp)
- GDP Growth
  - 2009: 4.6%
  - 2010: 6.1%
  - 2011: 6.4%

## Labor force – by occupation

- Agriculture: 38% (15% of GDP)
- Industry: 13% (46% of GDP)
- Services: 49% (39% of GDP)

# Country Overview – Island of Java

Figure 2  
Indonesia population density, 2005



Sources: Badan Pusat Statistik (BPS-Statistics Indonesia); Center for International Earth Science Information Network (CIESIN), Columbia University, New York, NY.

# Indonesian Agriculture at a Glance

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## Top Producer of (world ranking in volume)

- Palm oil (1)
- Coconut (1)
- Rubber (2)
- Cocoa beans (2)
- Coffee (3)

## Food Security Policy: Self-sufficiency

- Rice (3<sup>rd</sup> largest producer)
- Corn, soybeans, sugar, poultry, beef

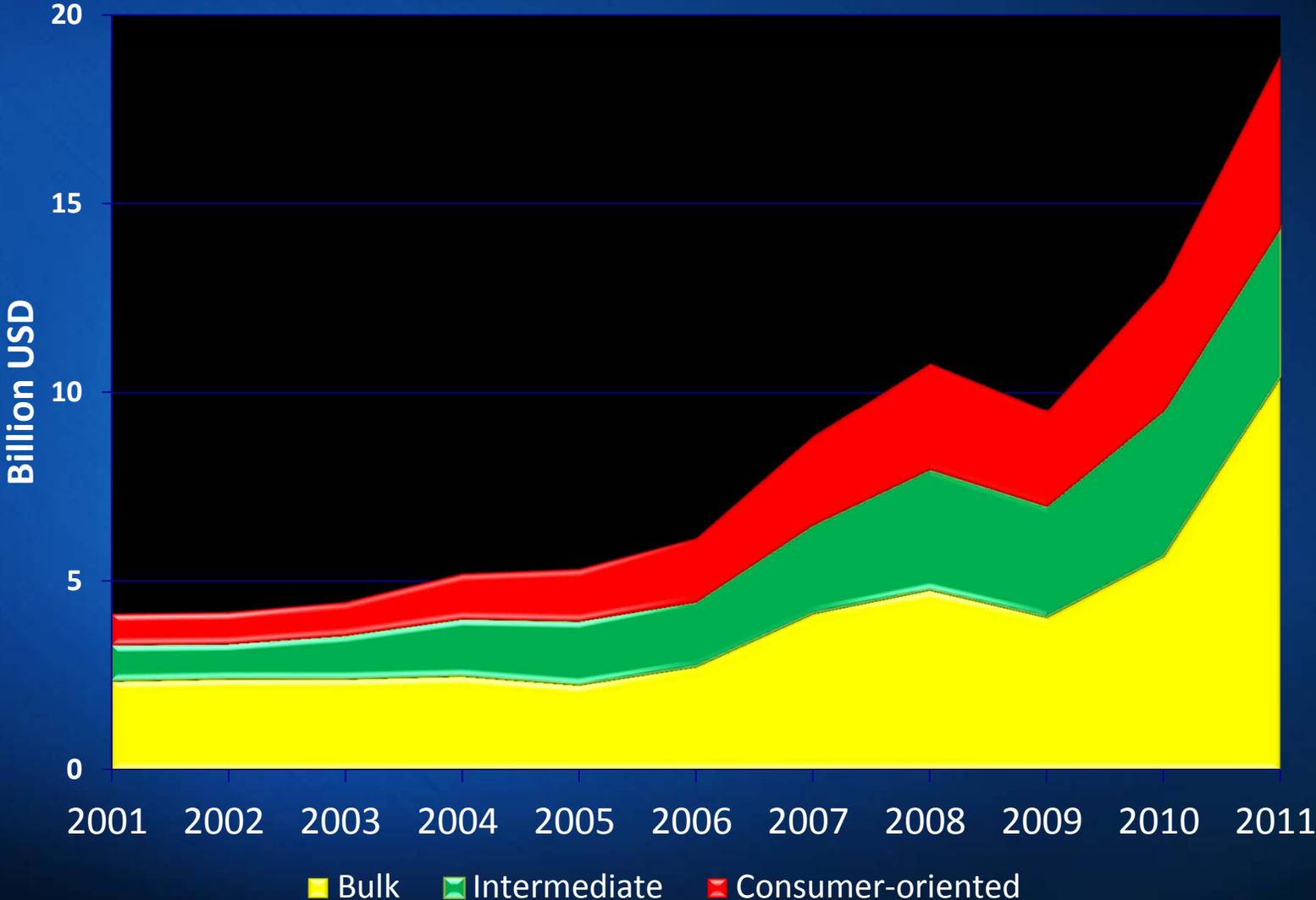
## Farm Structure

- Small vs. Large
- Food vs. Cash
- Java Island vs. Outer Islands

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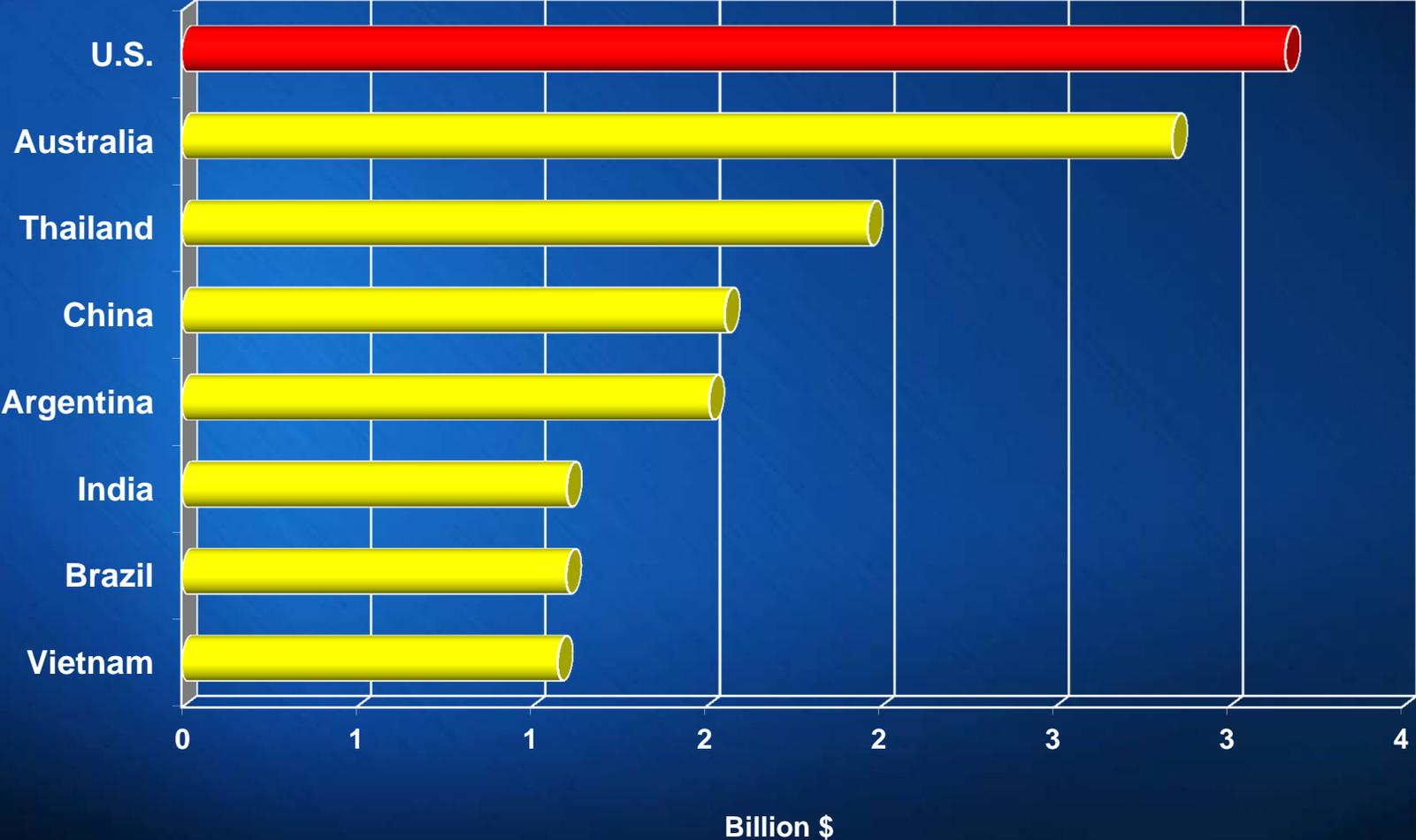
# Agricultural Trade

# Imports from the world



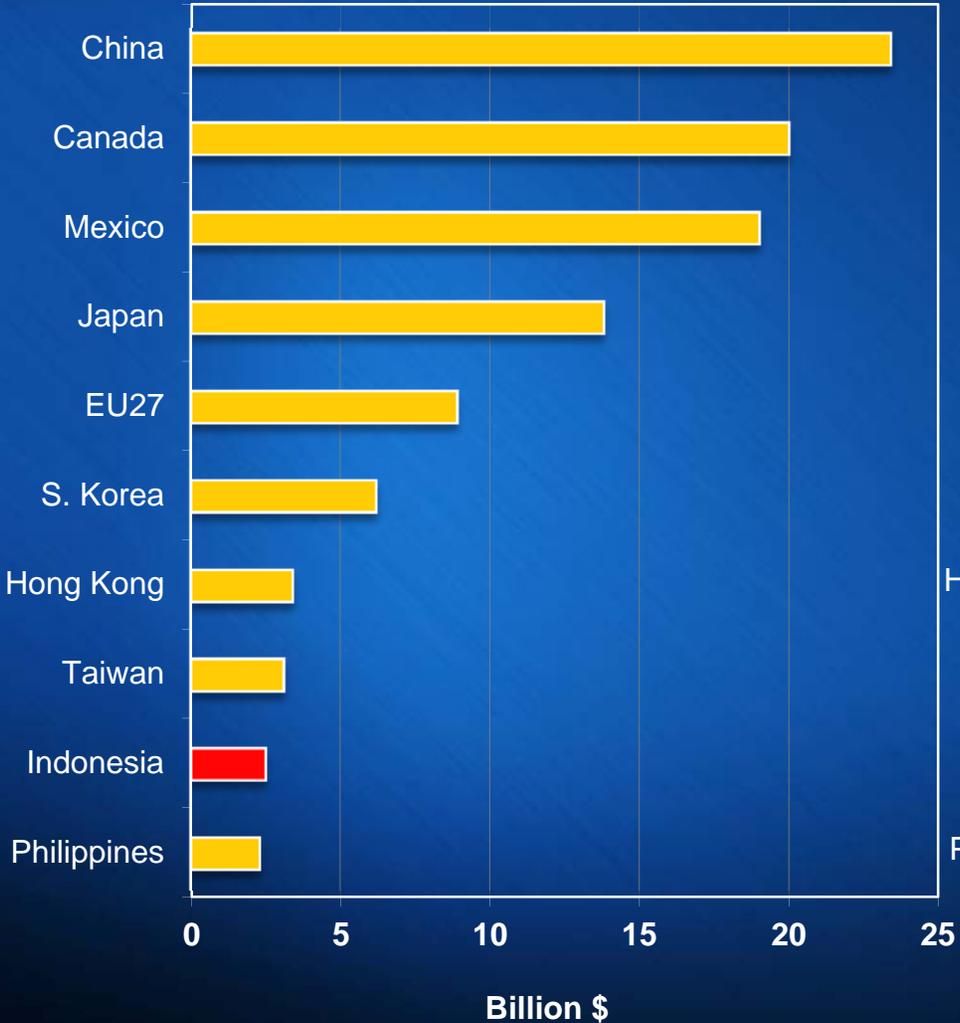
# Major Suppliers

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# One of The Fastest Growing U.S. Markets

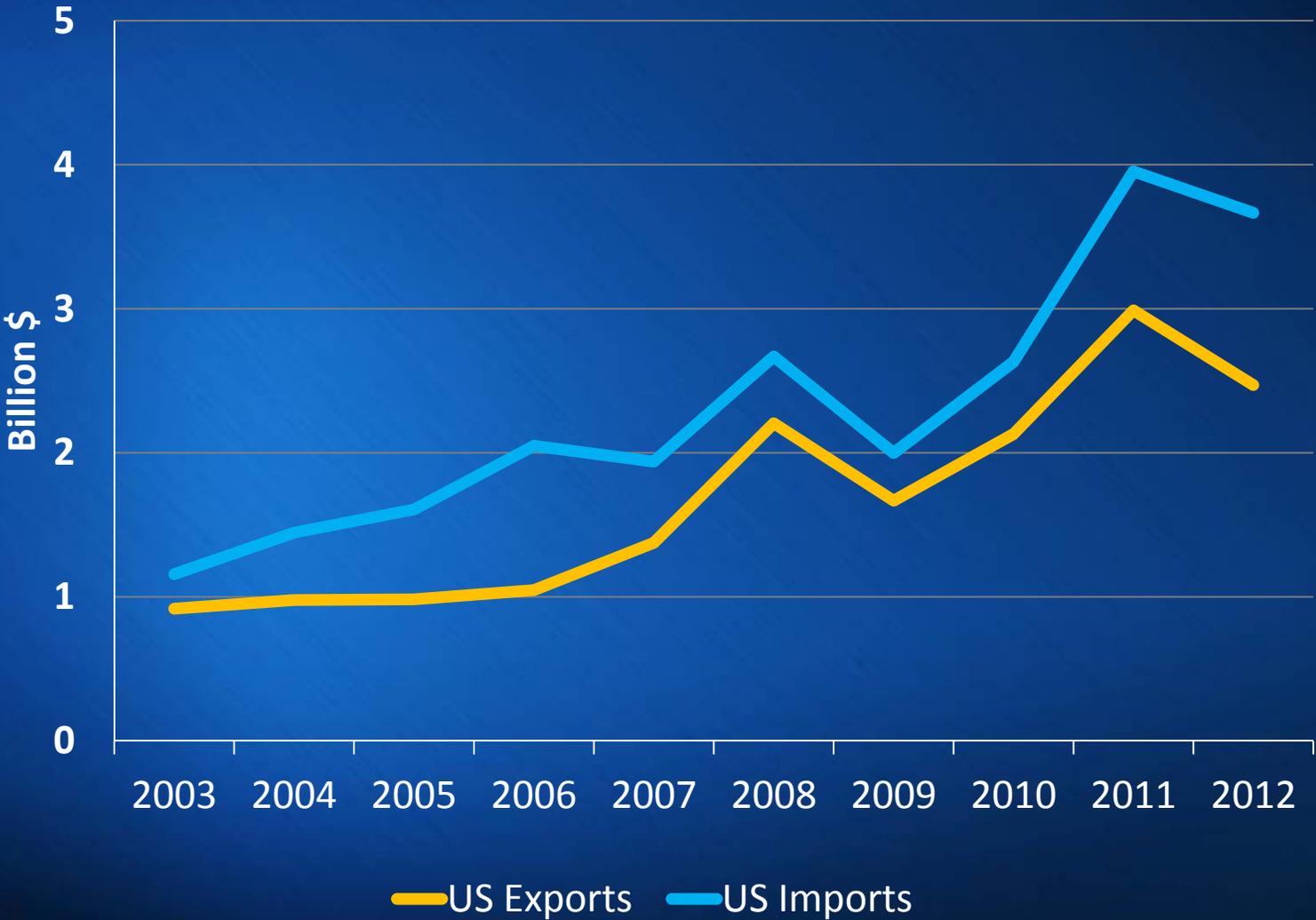
Top 10 U.S. Ag Markets, FY12



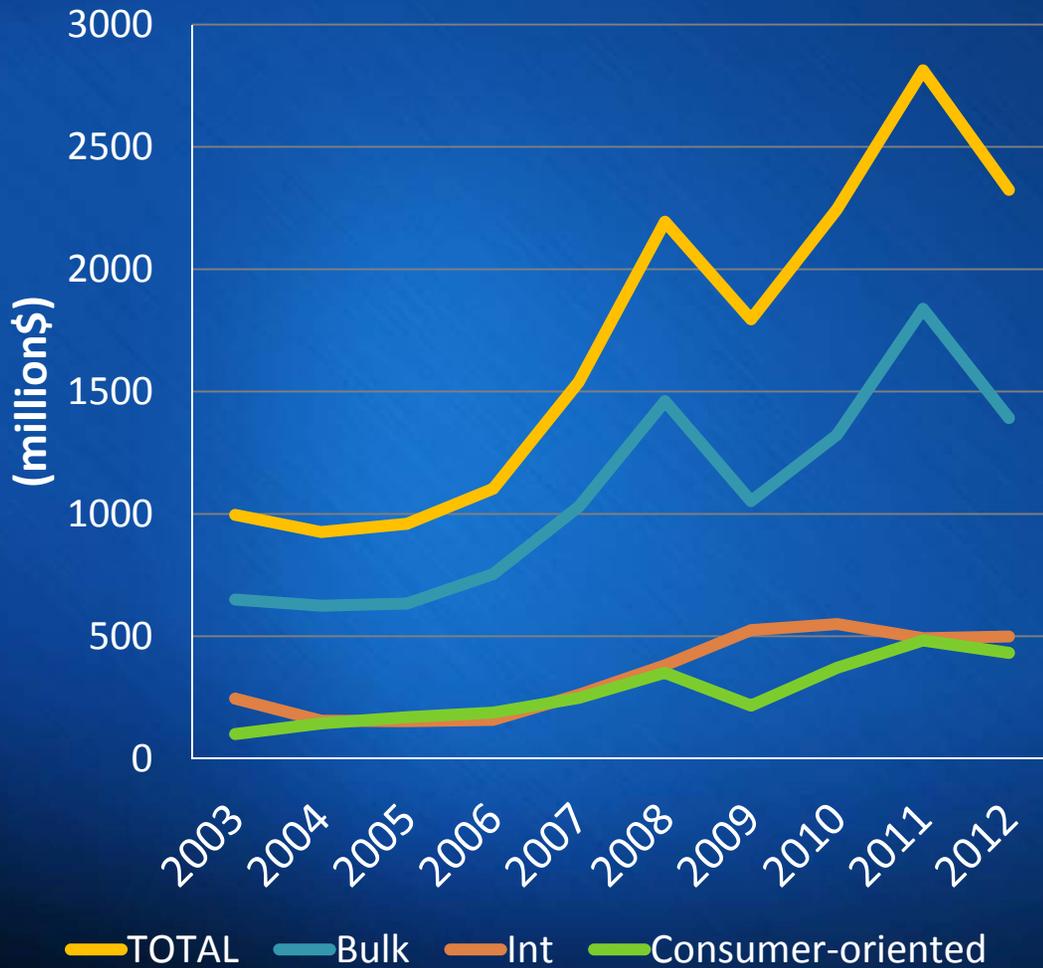
Growth Trend, FY03-12



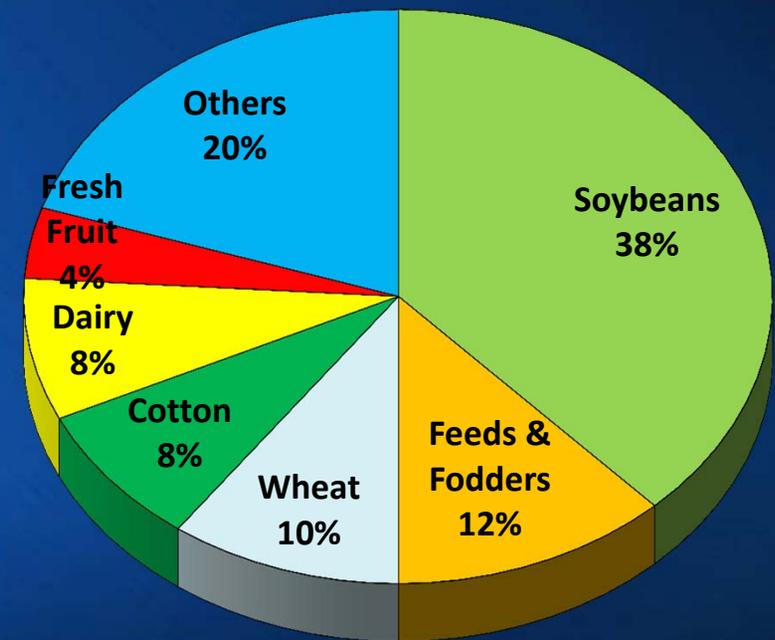
# U.S.-Indonesia Bilateral Agricultural Trade



# U.S. Ag Exports to Indonesia

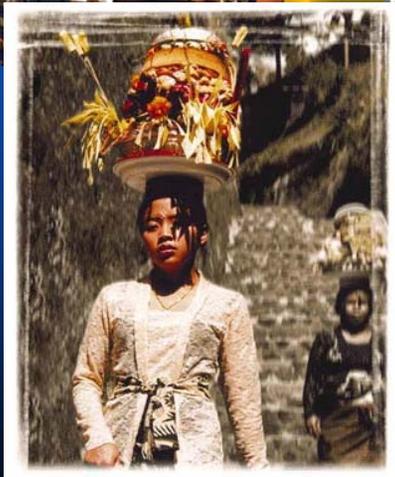
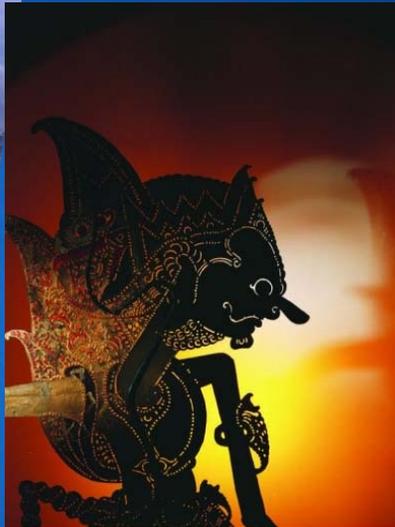


U.S. Exports to Indonesia



# Challenges and Opportunities

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*Indonesia*

# CHALLENGES

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- Governance
- Politics
- Infrastructure

# CHALLENGES - Governance

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- Democratic Institutions
- Rule of Law
- Decentralization
- KKN



# CHALLENGES - Politics

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- National Elections – 2014
- Coalition Government
- Autonomous Ministries
- Rural Java Influence



# Trade Protectionism...

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## **United States Challenges Indonesia's Import Restrictions on Horticultural Products, Animals and Animal Products**

**01/10/2013**

*Washington, D.C.* – United States Trade Representative Ron Kirk announced today that the United States is requesting consultations with Indonesia under the dispute settlement provisions of the World Trade Organization (WTO) concerning trade-restrictive measures applied to horticultural products, animals, and animal products. Indonesia has created a complex web of import licensing requirements that have the effect of unfairly restricting U.S. exports. These measures appear to be designed to protect Indonesia's domestic agriculture industry.

# CHALLENGES - Infrastructure



# CHALLENGES - Infrastructure

- Roads, Rail & Ports
- Now a priority under Development Plan...
- But much catching up to do



# OPPORTUNITIES

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- Economic Growth
- Modernization
- Protein Consumption

# OPPORTUNITIES - Growth

## Socioeconomic indicators, Indonesia

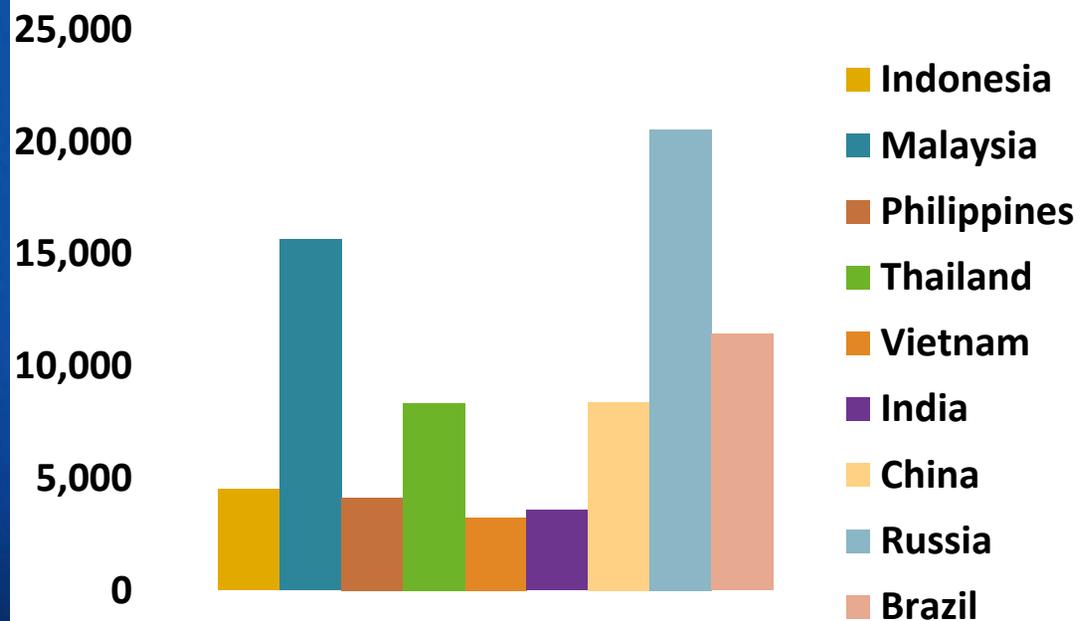


Source: USDA/Economic Research Service calculations using World Bank data.

# OPPORTUNITIES

## GDP/person, at purchasing power parity, 2011

Constant 2005 international \$



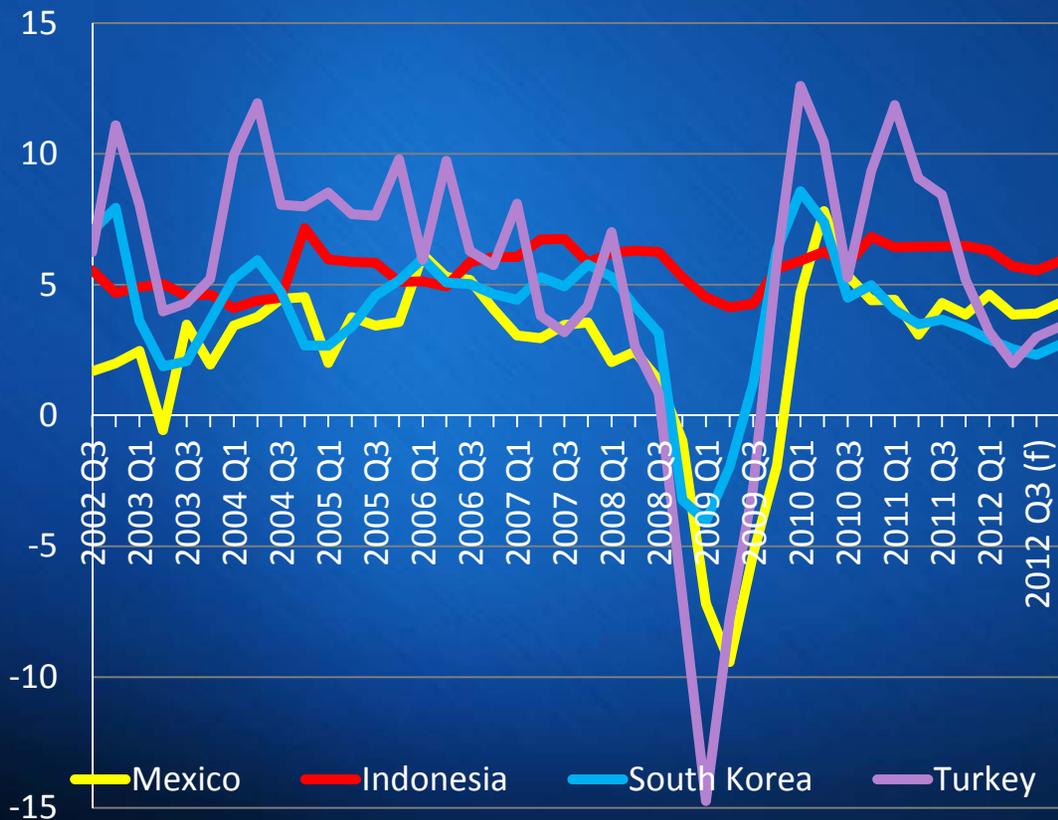
Note: GDP = gross domestic product.

Source: USDA/Economic Research Service calculations using World Bank data.

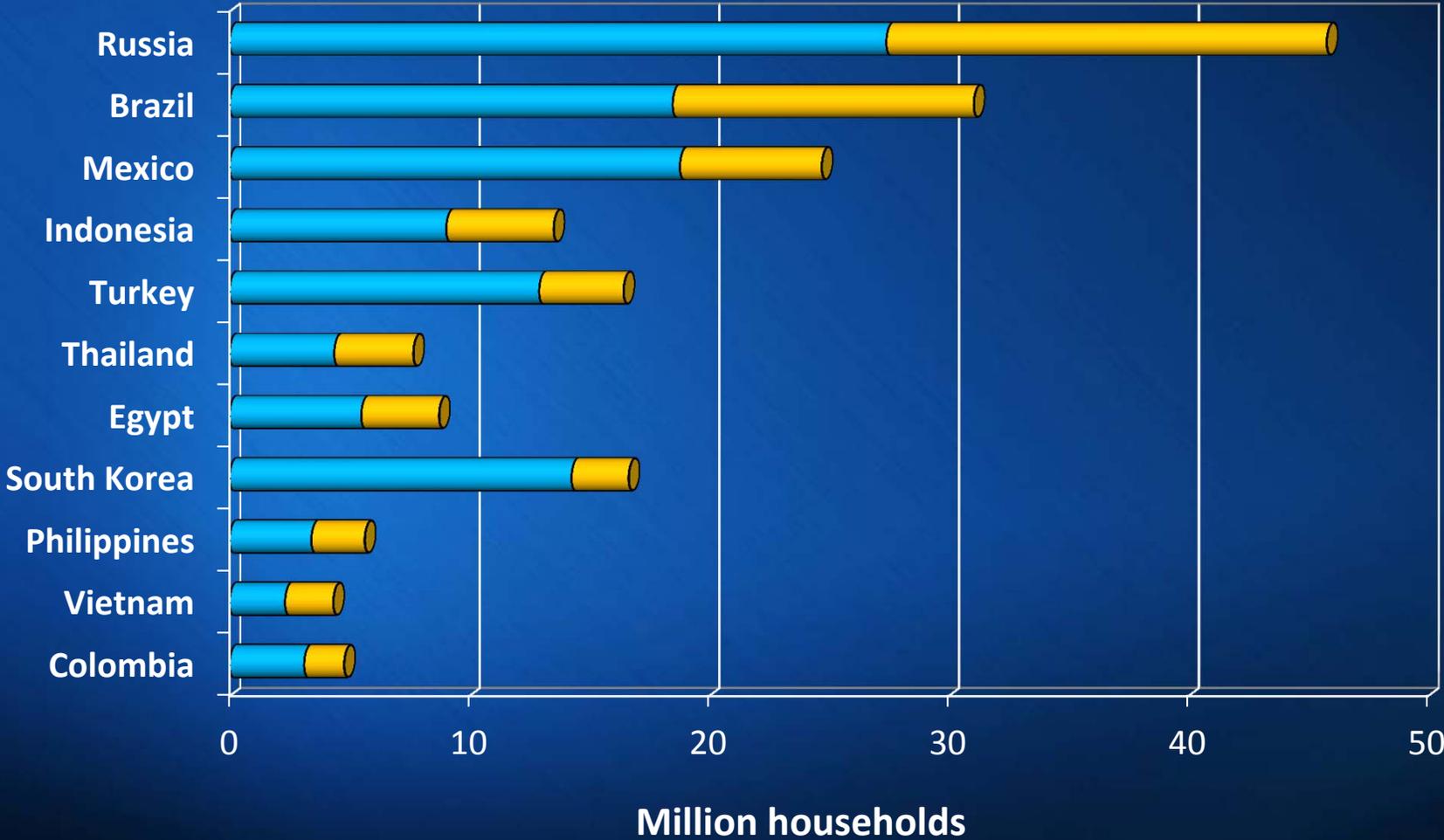


# OPPORTUNITIES

MIST GDP Growth 2002 – 2012(f)



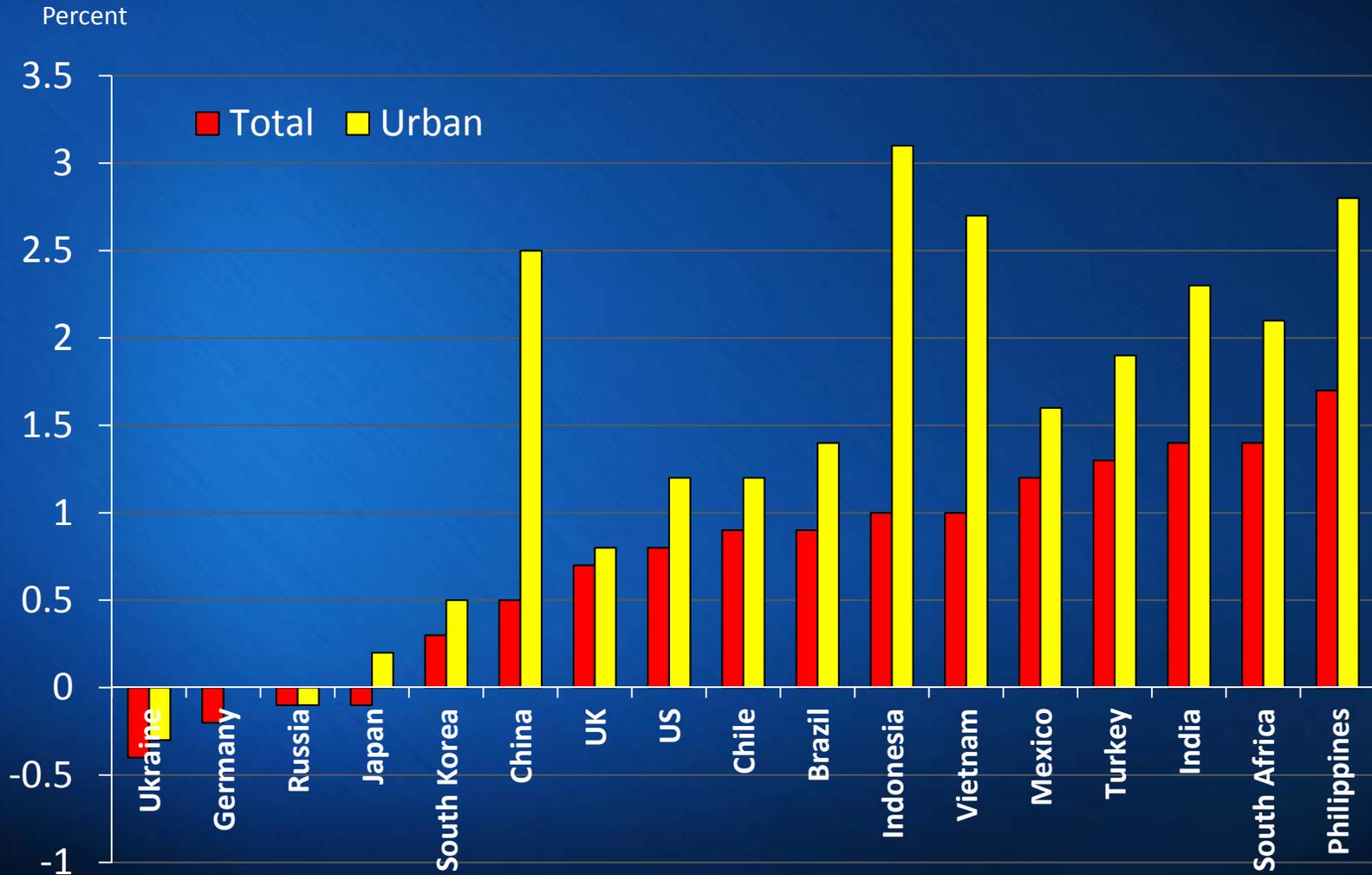
# Middle Class Growth, 2012-2022



Data source: Global Insight

# Urbanization A Main Driver of Consumption Change

## Urban and overall population growth, 2010



# OPPORTUNITIES -Modernization

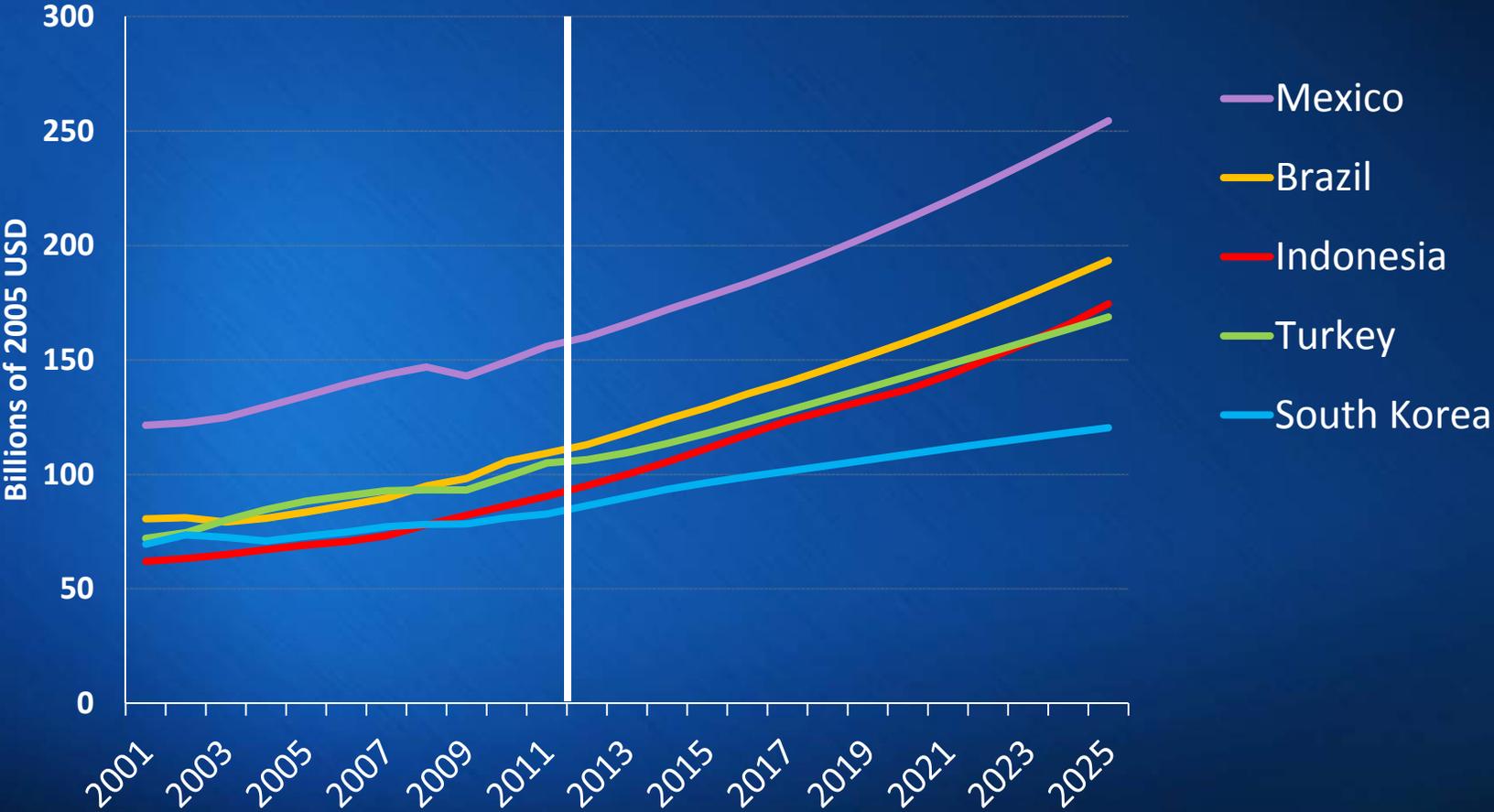


# Number of Modern Retail Outlets

<b>Description</b>	<b>2003</b>	<b>2005</b>	<b>2007</b>	<b>2009</b>	<b>2011</b>
Supermarket	900	1,140	1,380	1,146	1,414
Hypermarket	40	80	120	141	
Minimarket	4,080	6,470	8,890	11,297	19,460

Source: Nielsen

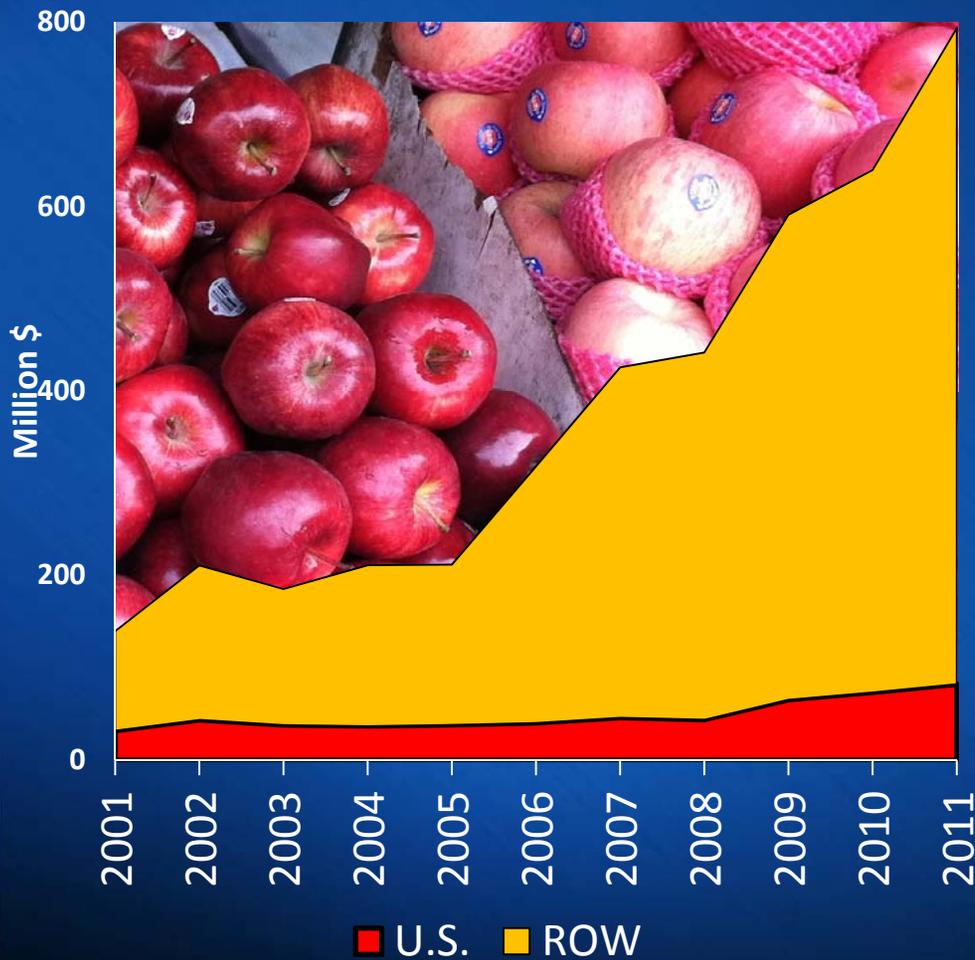
# Retail Food and Beverage Sales



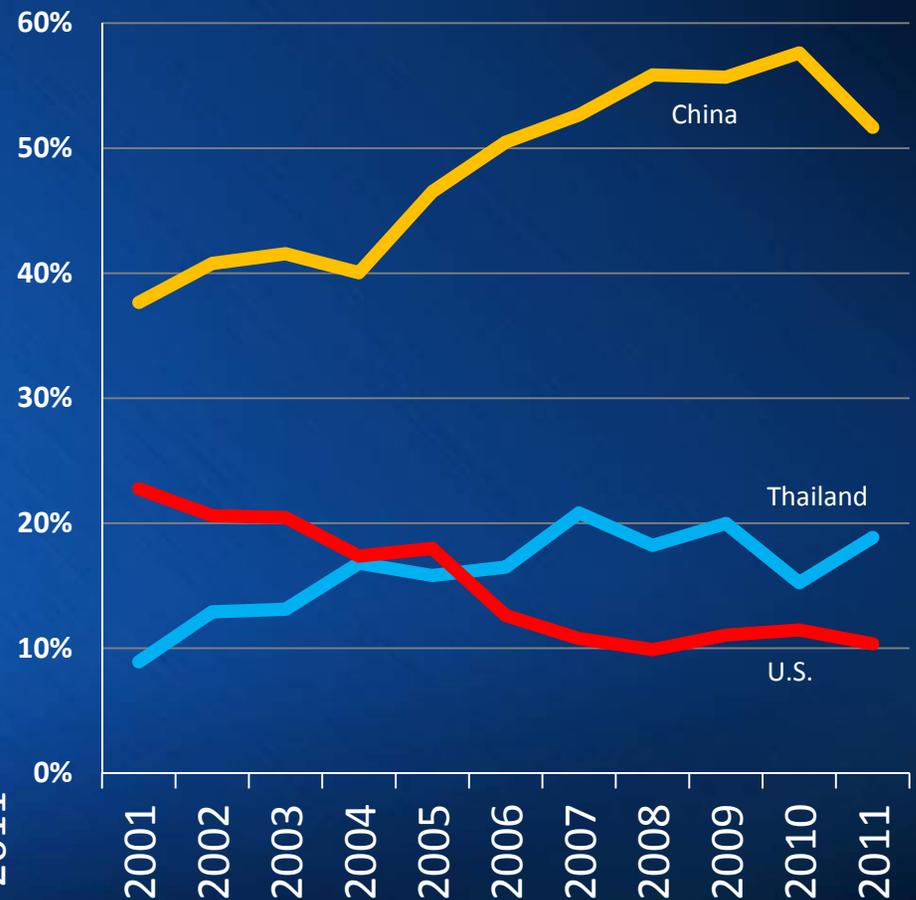
Data source: Global Insight

# Fresh Fruit

## Indonesia Imports

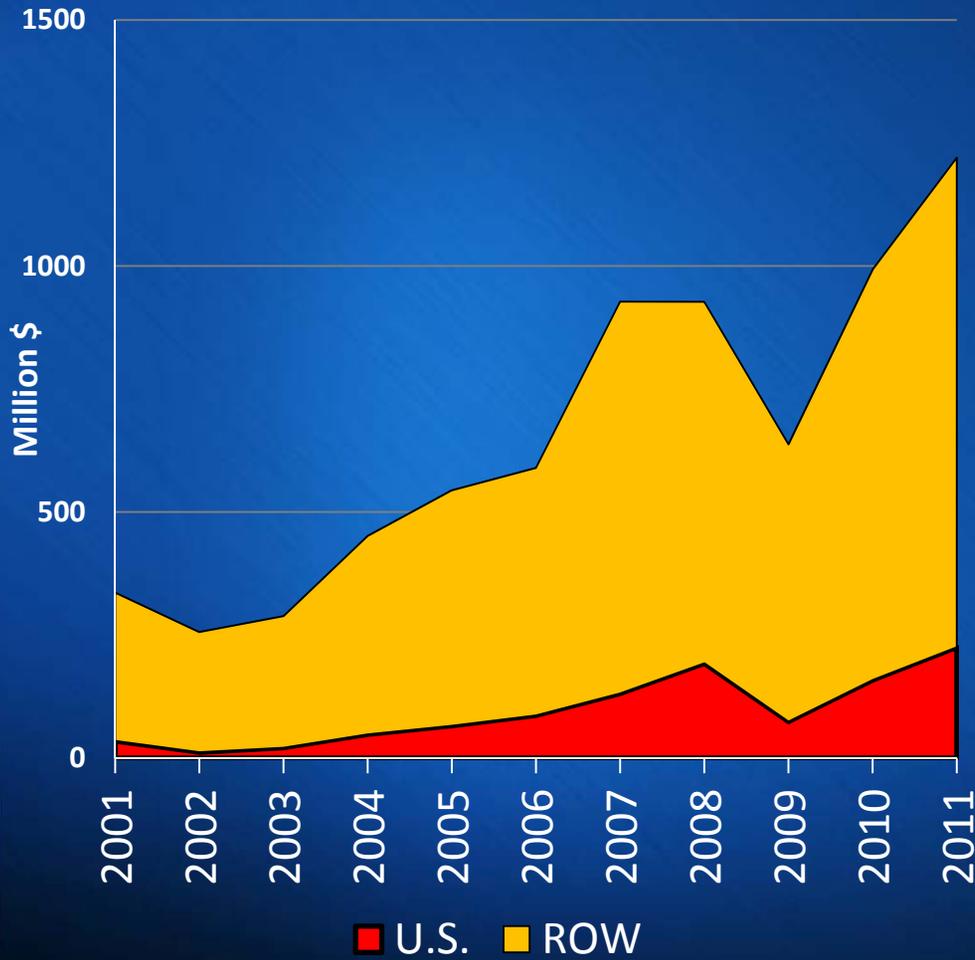


## Major Suppliers

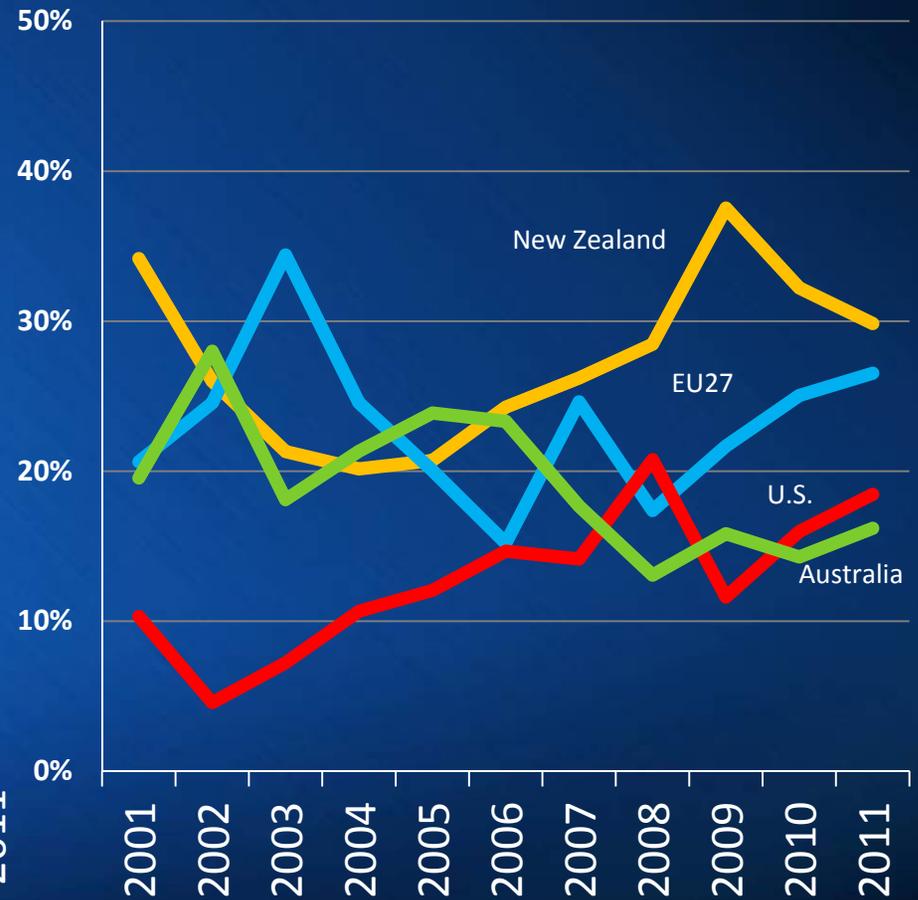


# Dairy

## Indonesia Imports



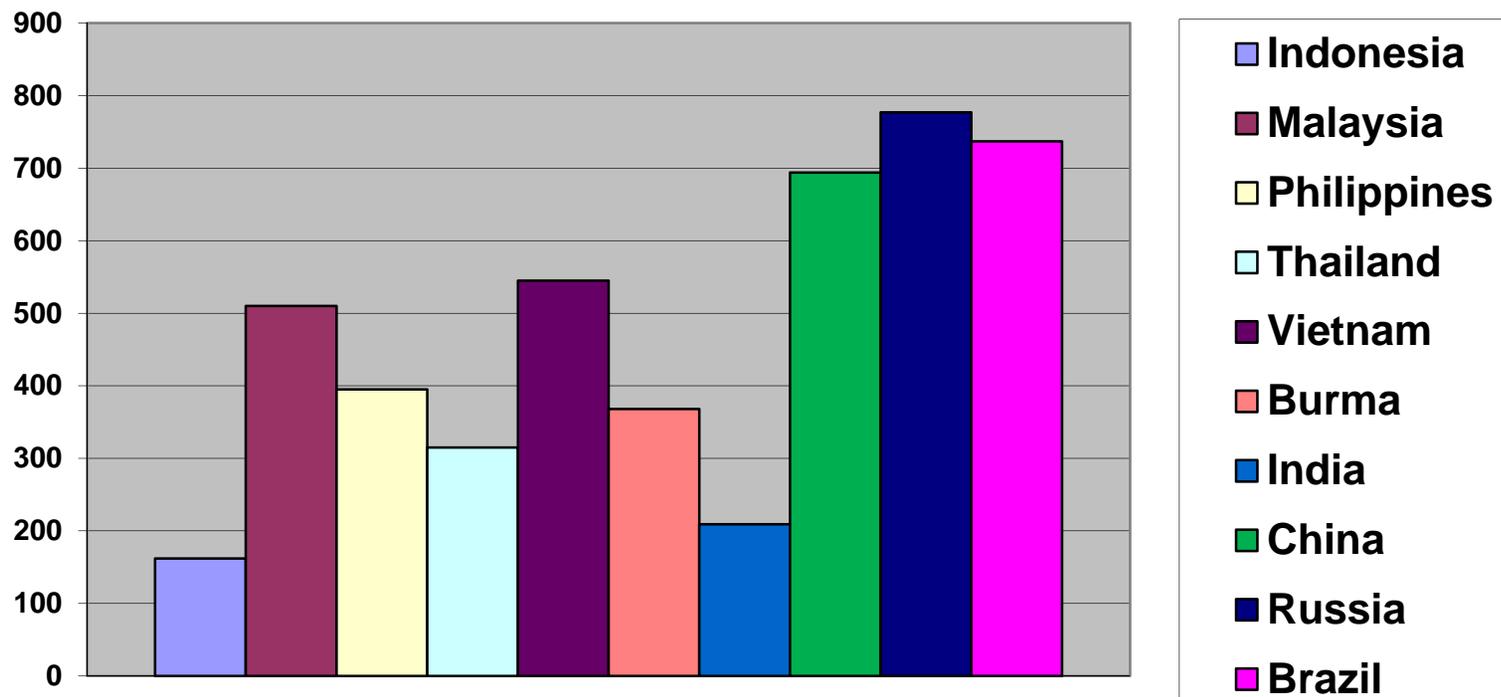
## Major Suppliers



# OPPORTUNITIES

## ● Protein Consumption

Kilocalories per person, per day **Animal product supply, 2009**



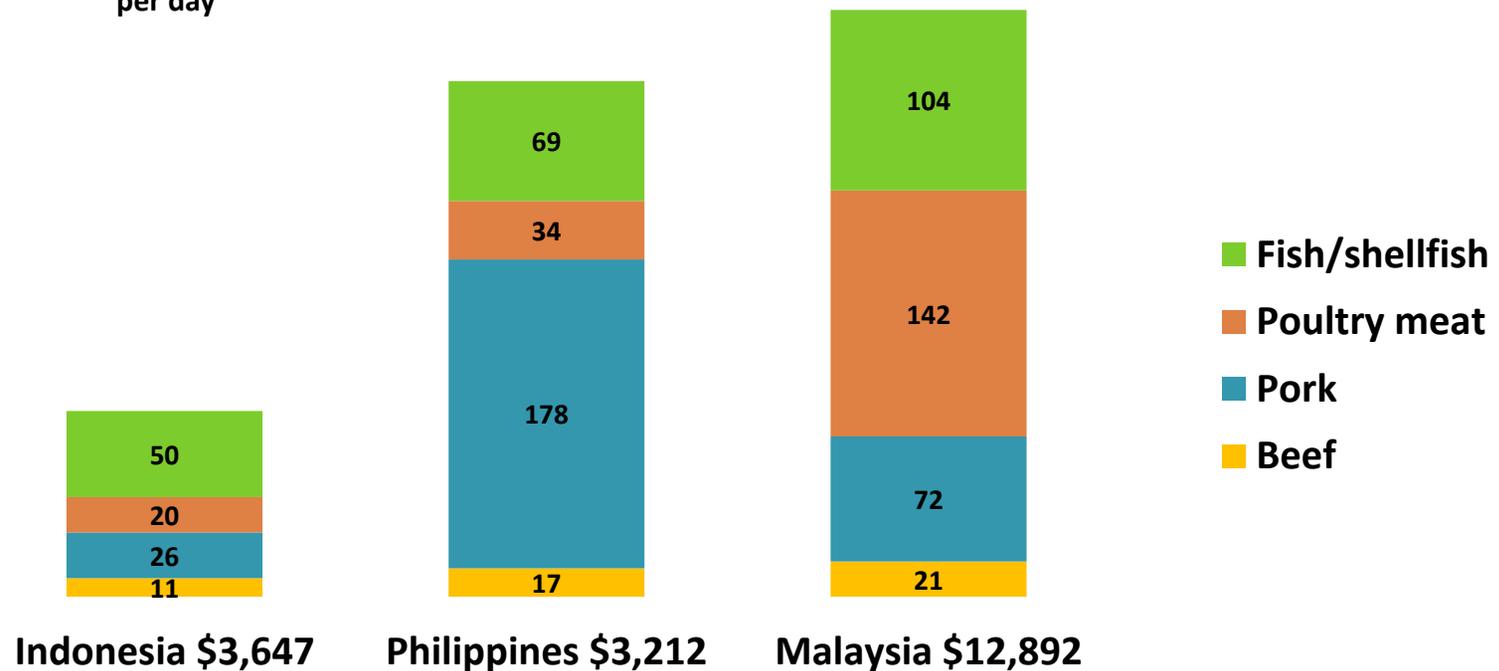
Source: USDA, Economic Research Service, using FAOSTAT data.

# OPPORTUNITIES

## ● Protein Consumption

Meat and fish food supply in Indonesia and its neighbors;  
average for 2007-2009

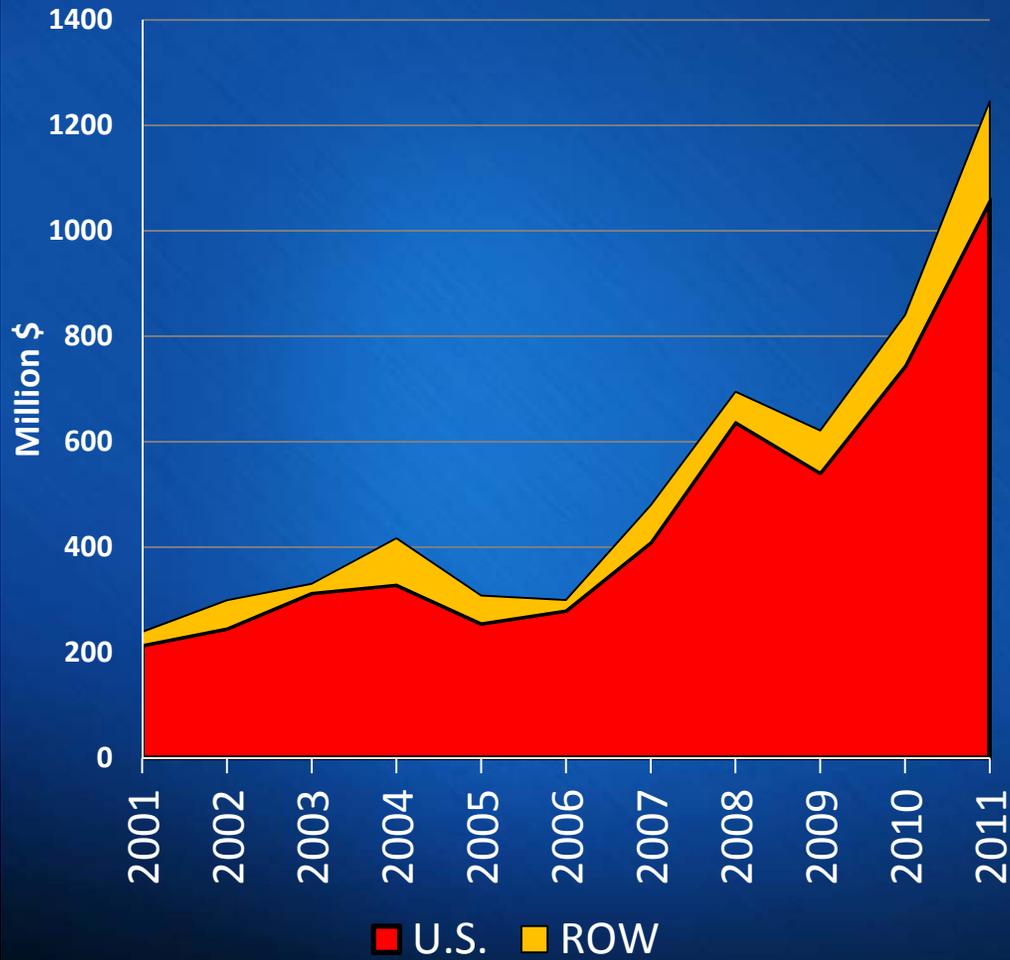
Kilocalories per person,  
per day



Note: \$ values are average Gross Domestic Product per person, in 2005 U.S. dollars, at Purchasing Power Parity.  
Sources: ERS/USDA calculations using food supply data from FAOSTAT and GDP/person data from the World Bank.

# Food Use Soybeans

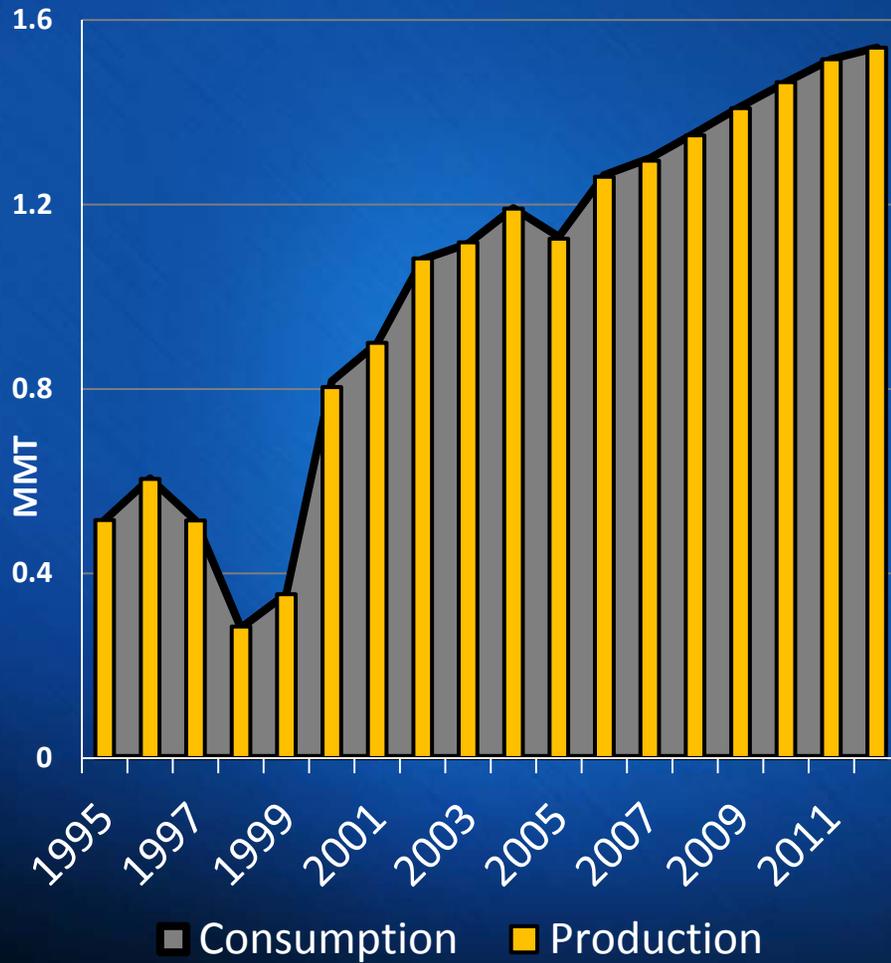
## Indonesia Imports



## Tempeh

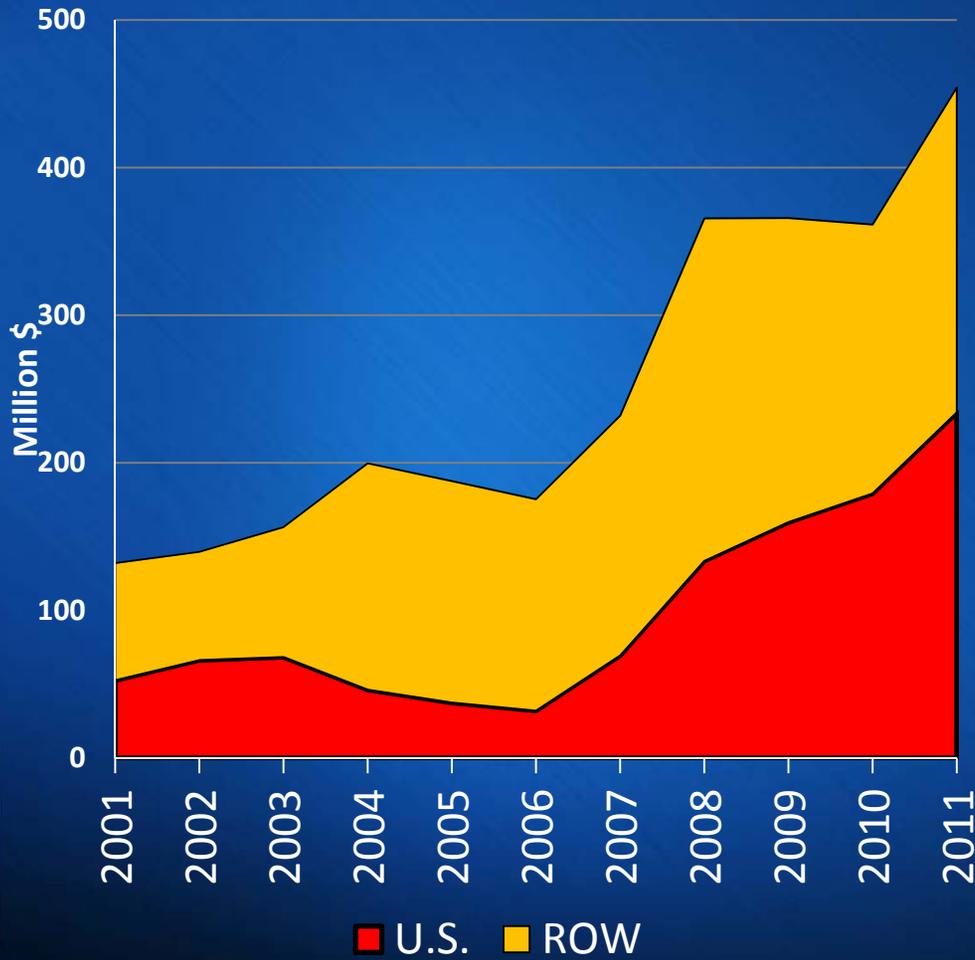


# Poultry: strong growth potential

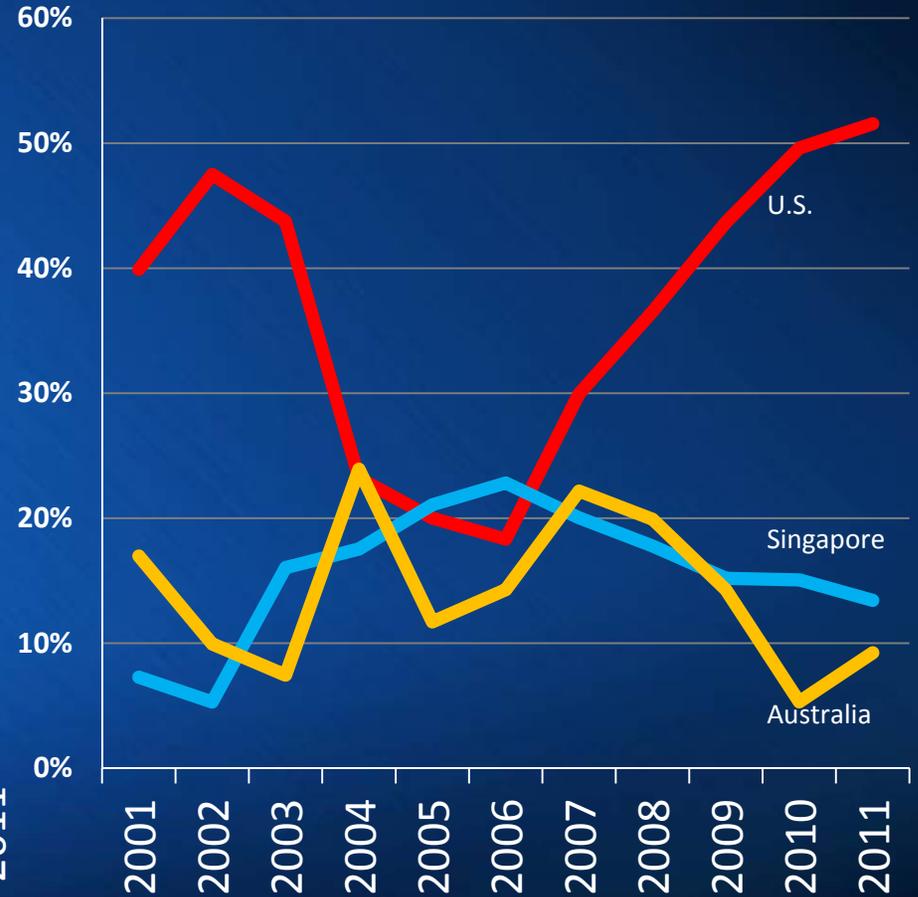


# Feeds and Fodders

## Indonesia Imports

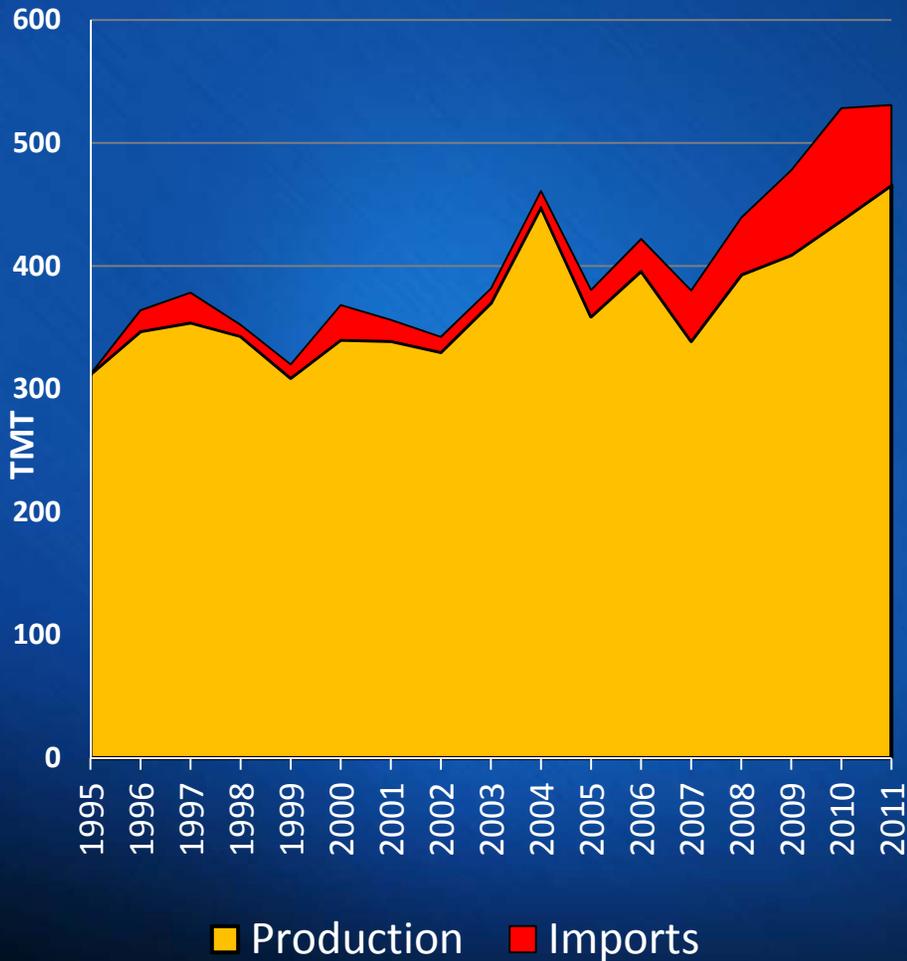


## Major Suppliers

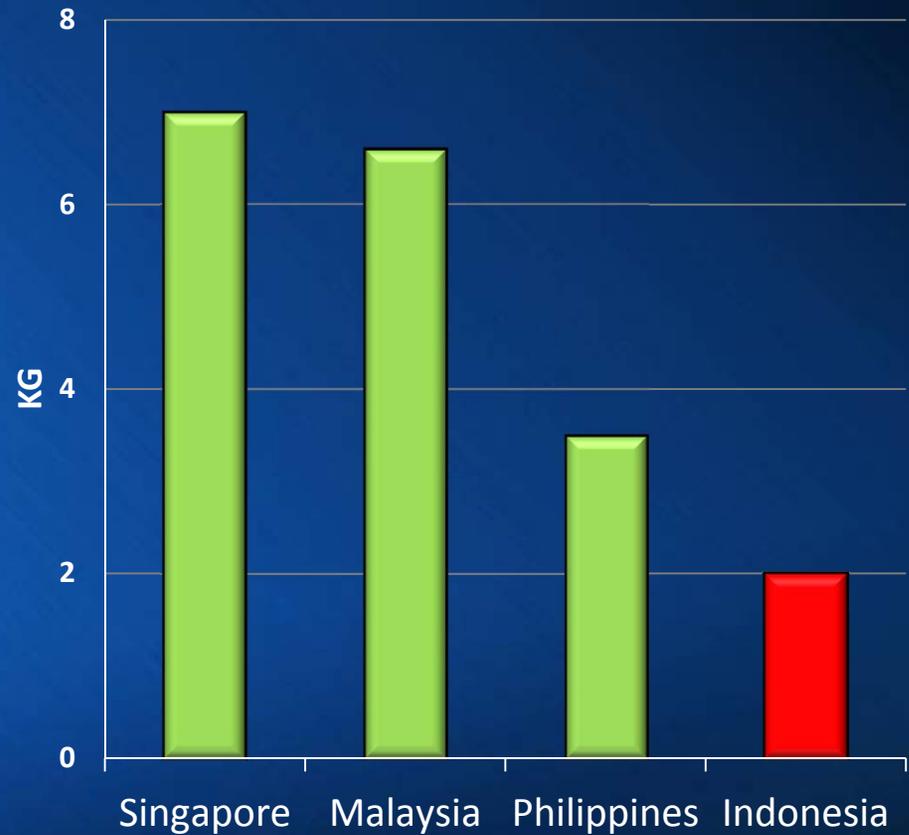


# Beef: policy stifling demand?

## Indonesia Beef Supplies



## Per Capita Consumption



Data source: FAO (production); GTIS (imports); PSD (per capita consumption)

# Summary

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- Strong economic performance and rapid urbanization propel consumption changes and trade
- Protein consumption low by regional standards; growth potential higher than other ASEAN countries
- One of the most dynamic growth markets for U.S. exports; trade growing despite barriers
- Robust middle-class growth and rapid evolution in the grocery retail sector support great prospects for trade
- Best prospects for U.S. exports:
  - Soybeans, cotton
  - Feed ingredients
  - Dairy, *horticultural products*, {*beef, chicken*}

# Acknowledgements

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