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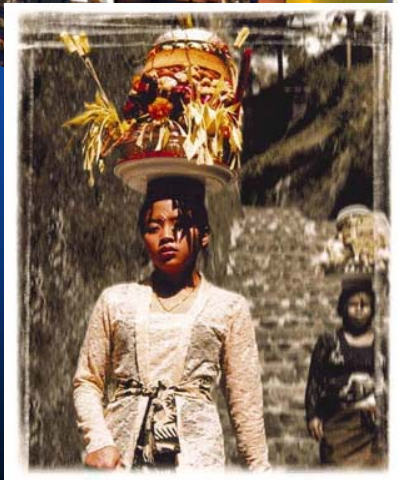
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Indonesia as a Growth Market: Challenges and Opportunities



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

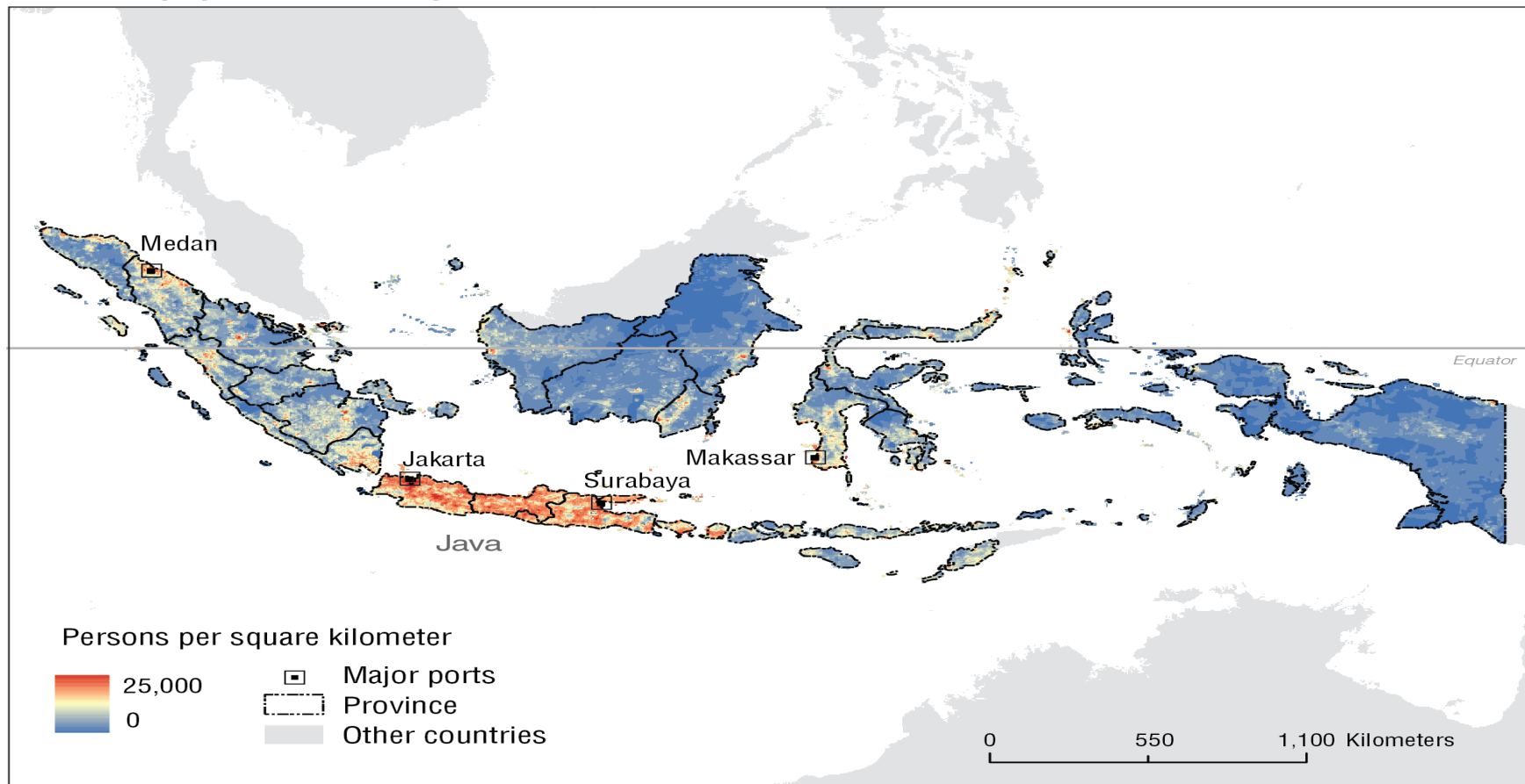
2009:	4.6%
2010:	6.1%
2011:	6.4%

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



Top Producer of (world ranking in volume)

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

Food Security Policy: Self-sufficiency

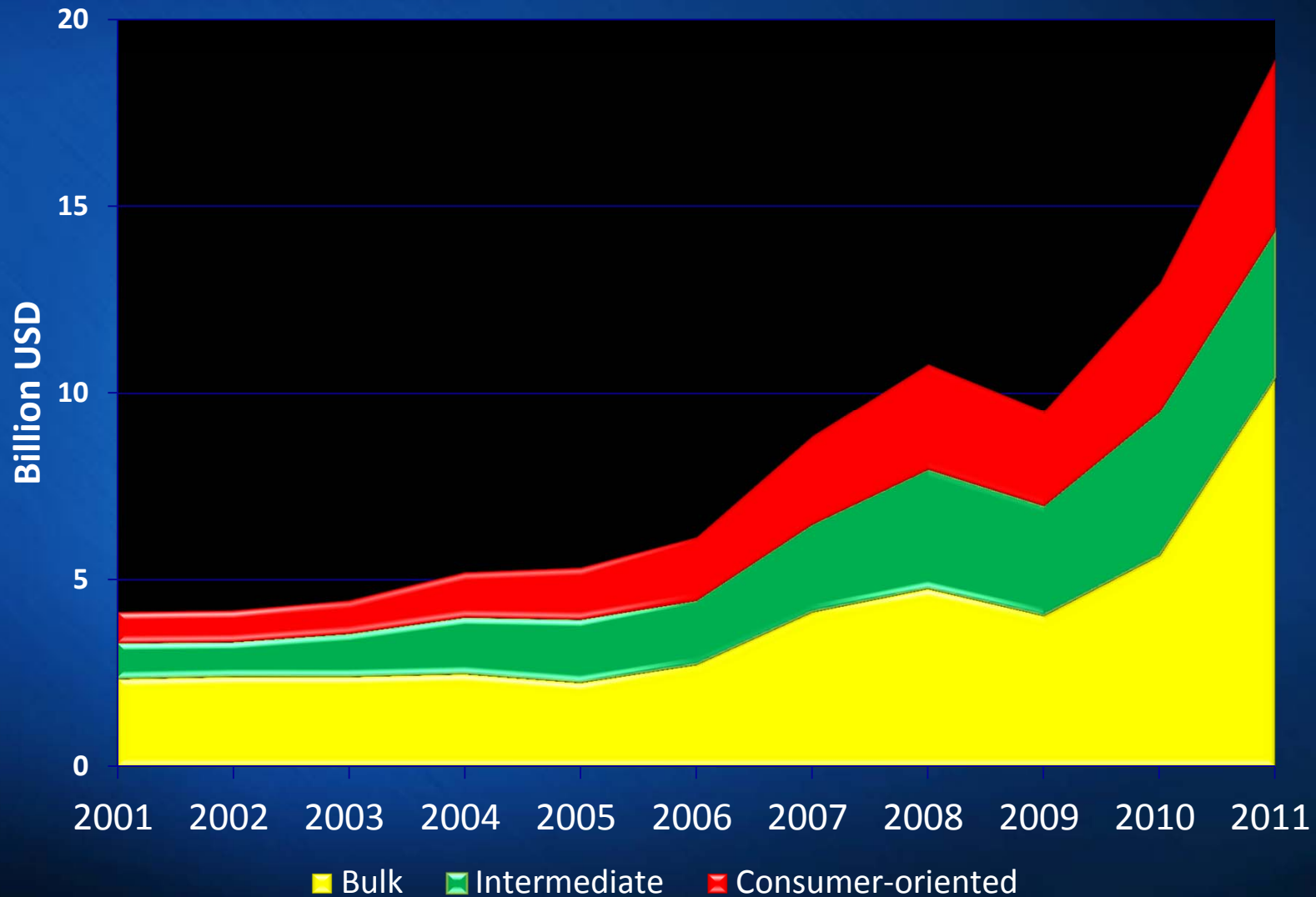
- Rice (3rd largest producer)
- Corn, soybeans, sugar, poultry, beef

Farm Structure

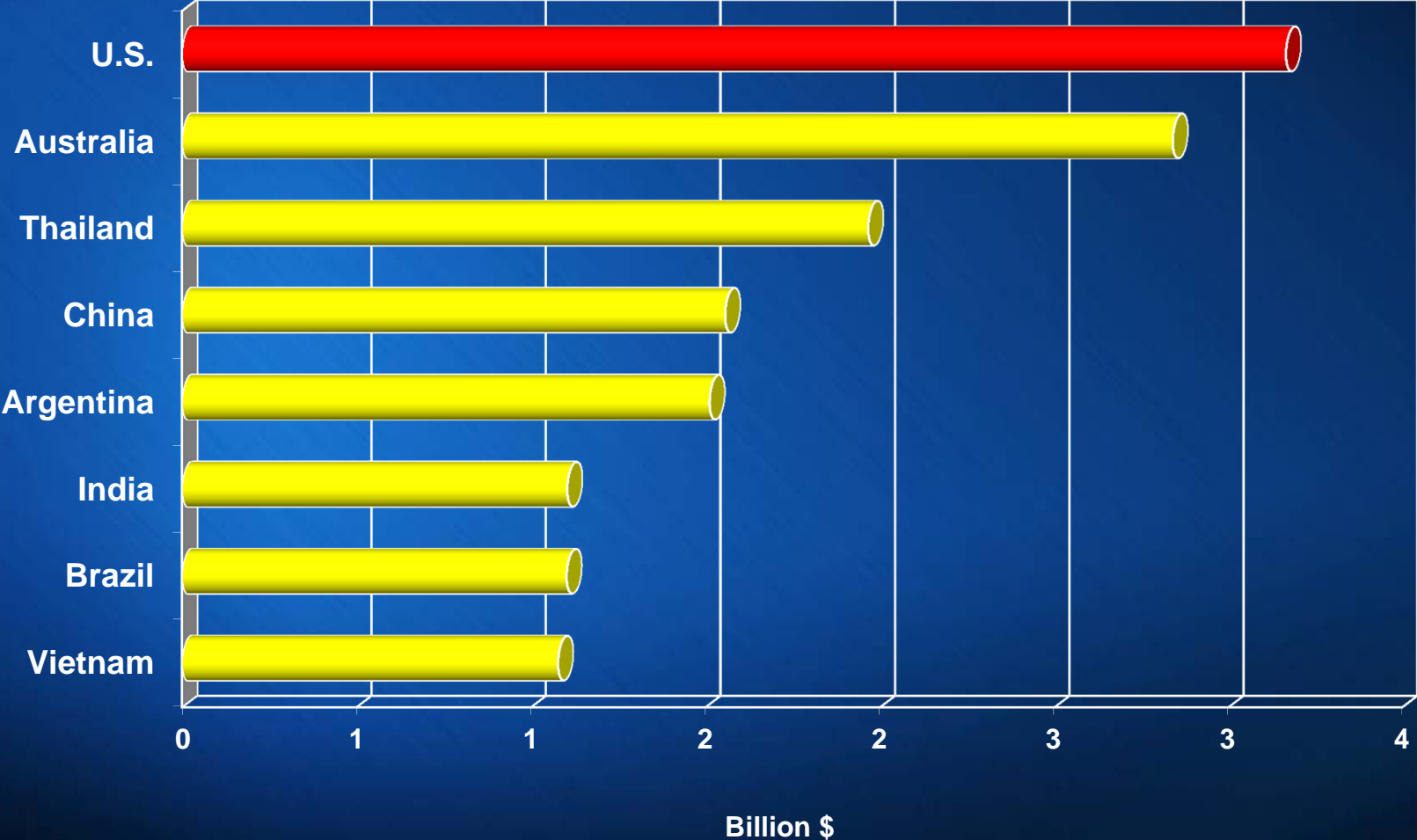
- Small vs. Large
- Food vs. Cash
- Java Island vs. Outer Islands

Agricultural Trade

Imports from the world

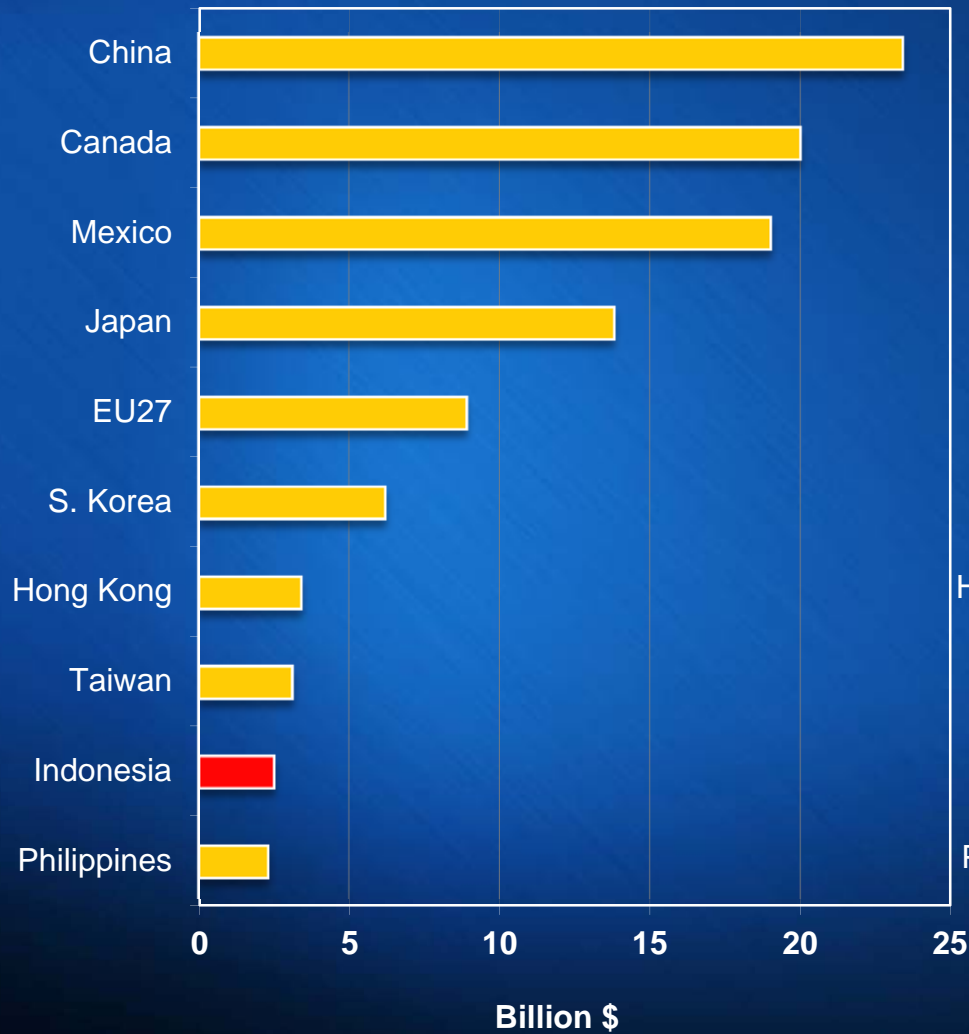


Major Suppliers

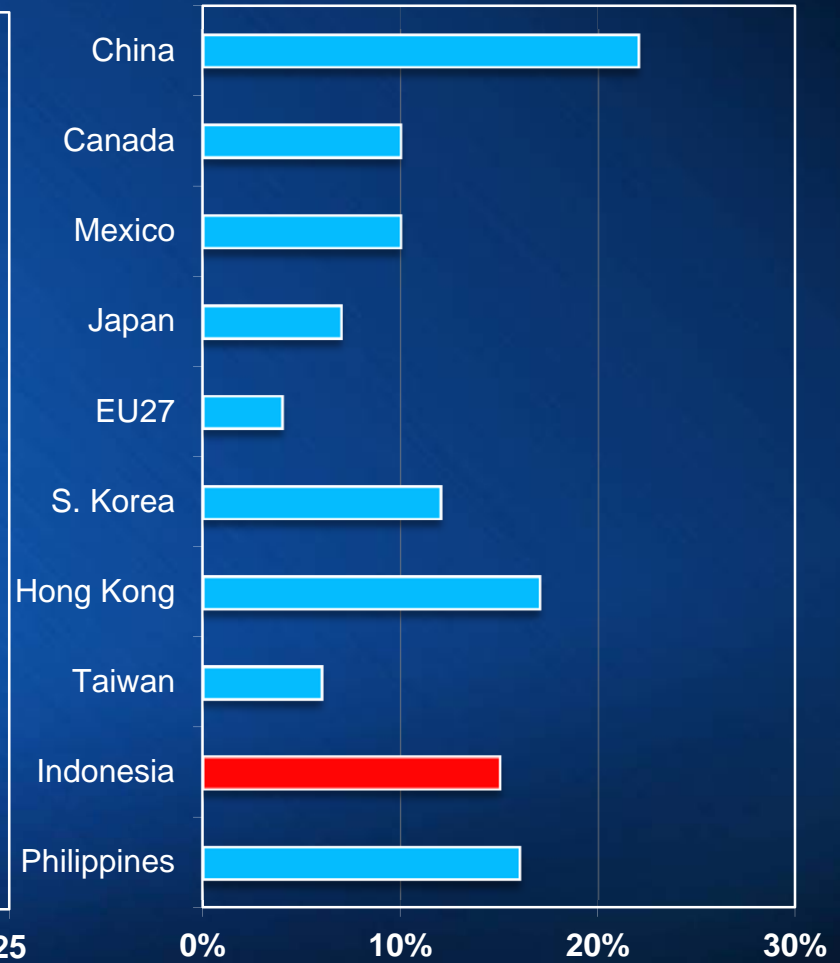


One of The Fastest Growing U.S. Markets

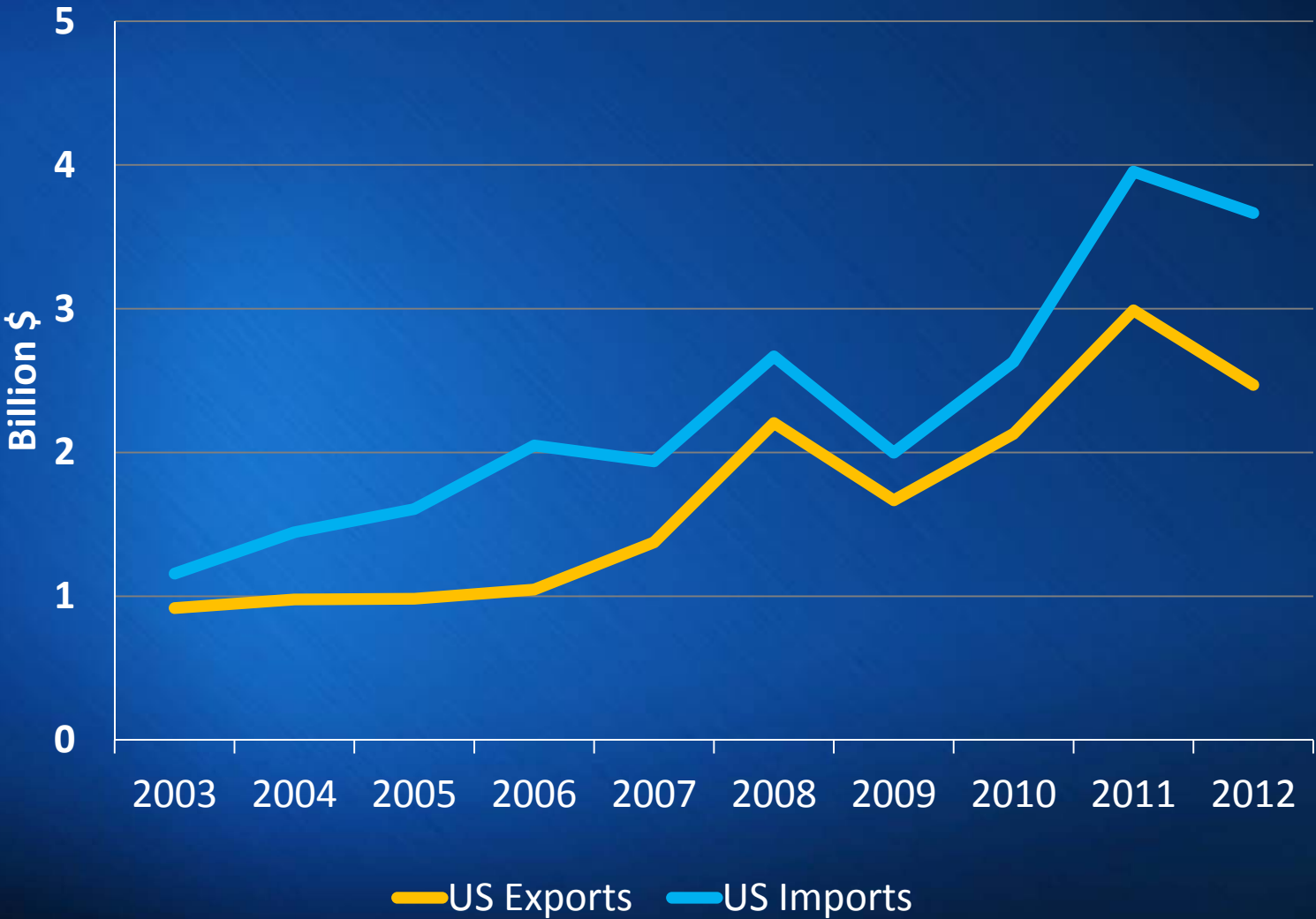
Top 10 U.S. Ag Markets, FY12



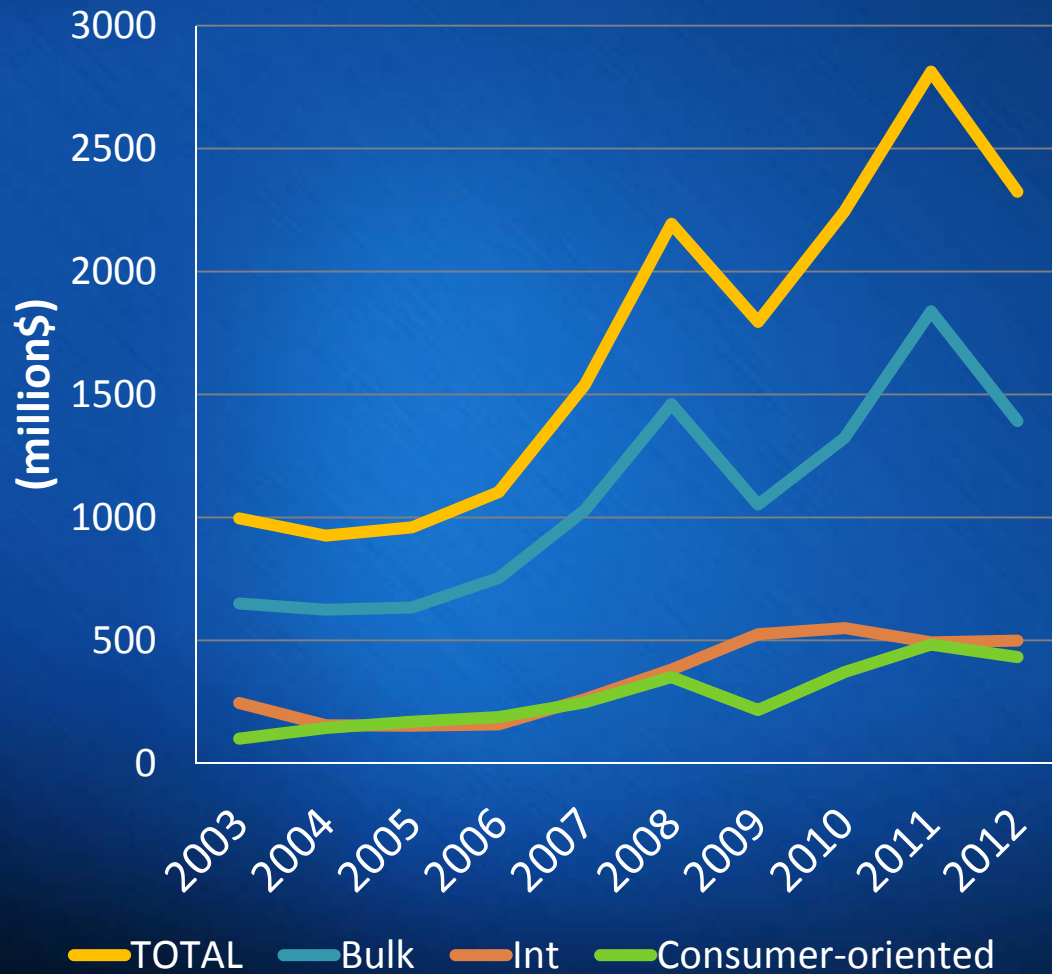
Growth Trend, FY03-12



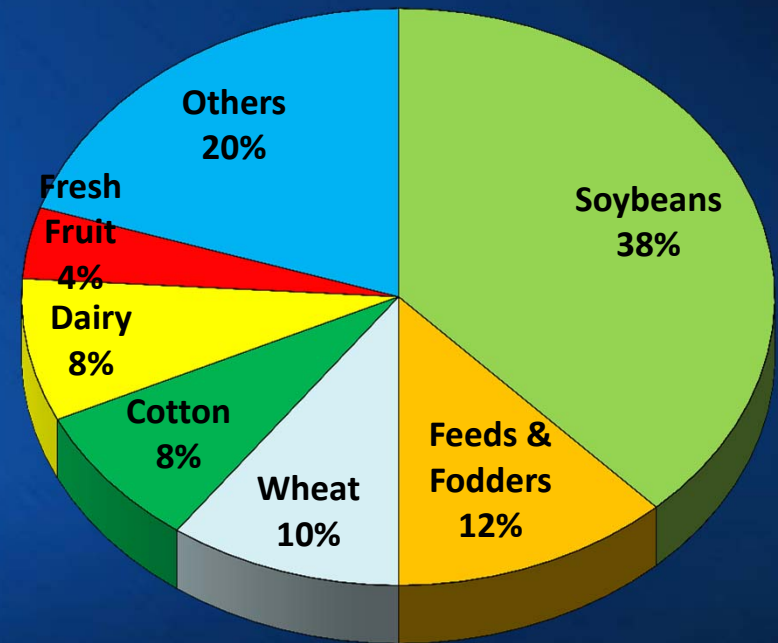
U.S.-Indonesia Bilateral Agricultural Trade



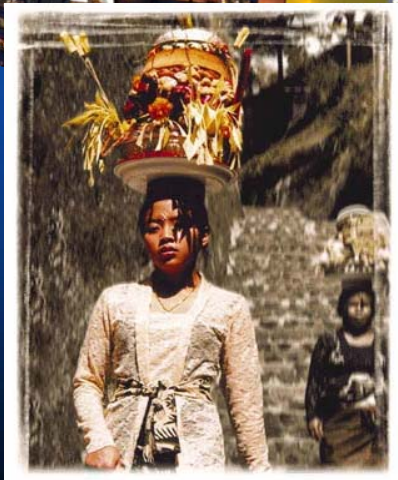
U.S. Ag Exports to Indonesia



U.S. Exports to Indonesia



Challenges and Opportunities



Indonesia

CHALLENGES

- Governance
- Politics
- Infrastructure

CHALLENGES - Governance

- Democratic Institutions
- Rule of Law
- Decentralization
- KKN



CHALLENGES - Politics

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



Trade Protectionism...

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

- Economic Growth
- Modernization
- Protein Consumption

OPPORTUNITIES - Growth

Socioeconomic indicators, Indonesia

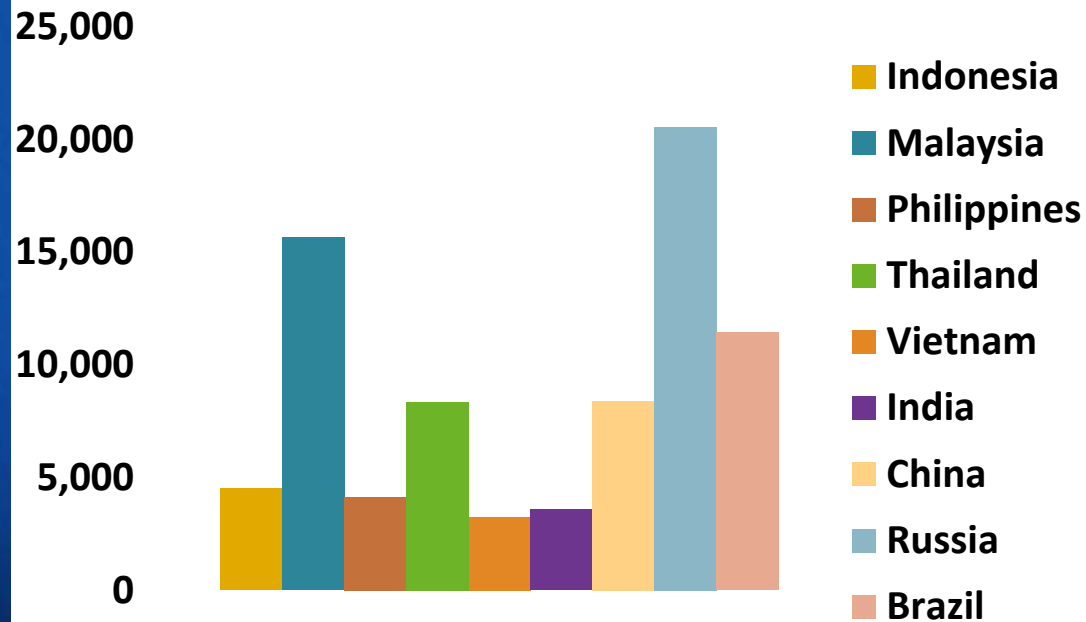


Source: USDA/Economic Research Service calculations using World Bank data.

OPPORTUNITIES

GDP/person, at purchasing power parity, 2011

Constant 2005 international \$



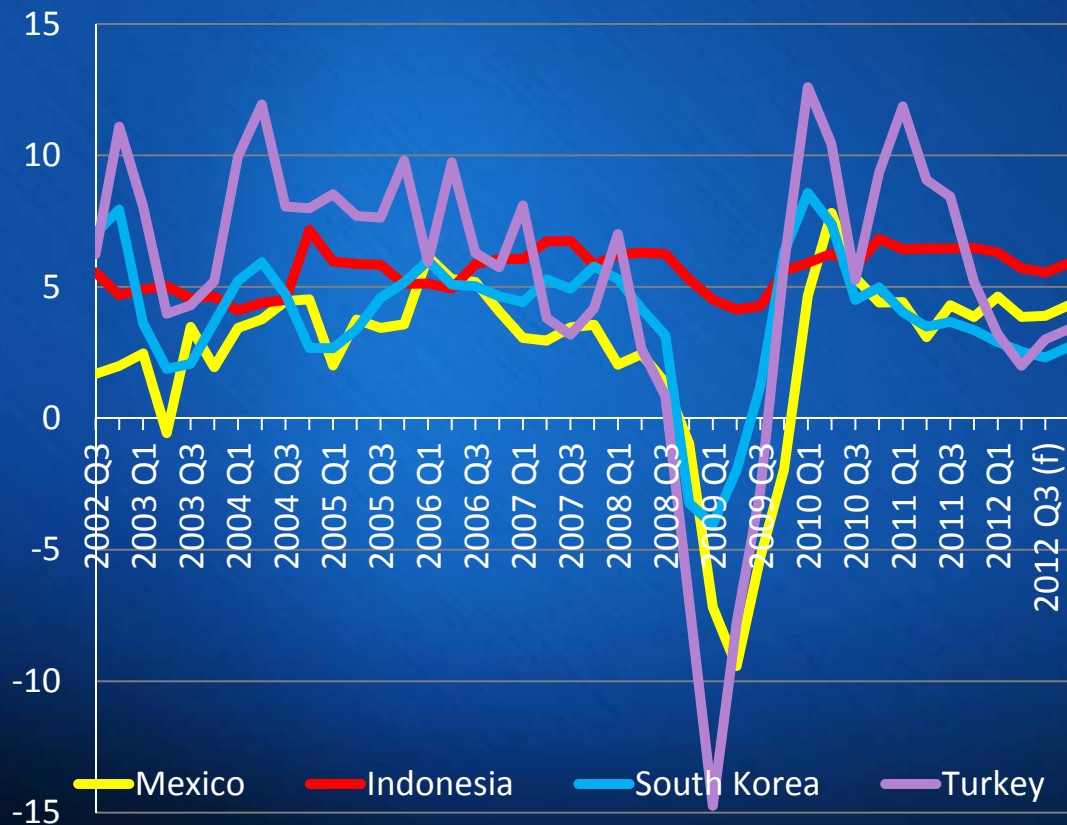
Note: GDP = gross domestic product.

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

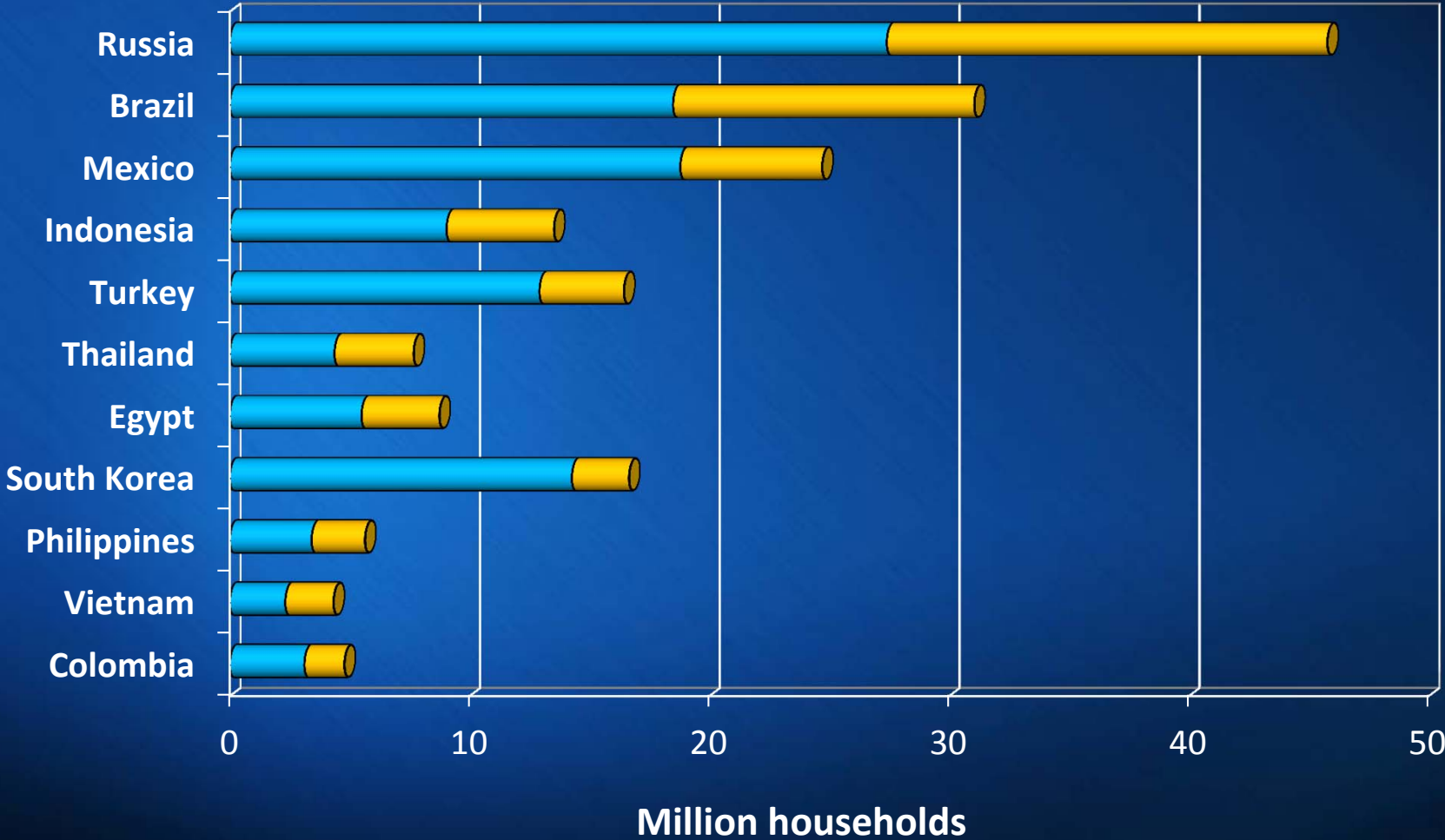


OPPORTUNITIES

MIST GDP Growth 2002 – 2012(f)



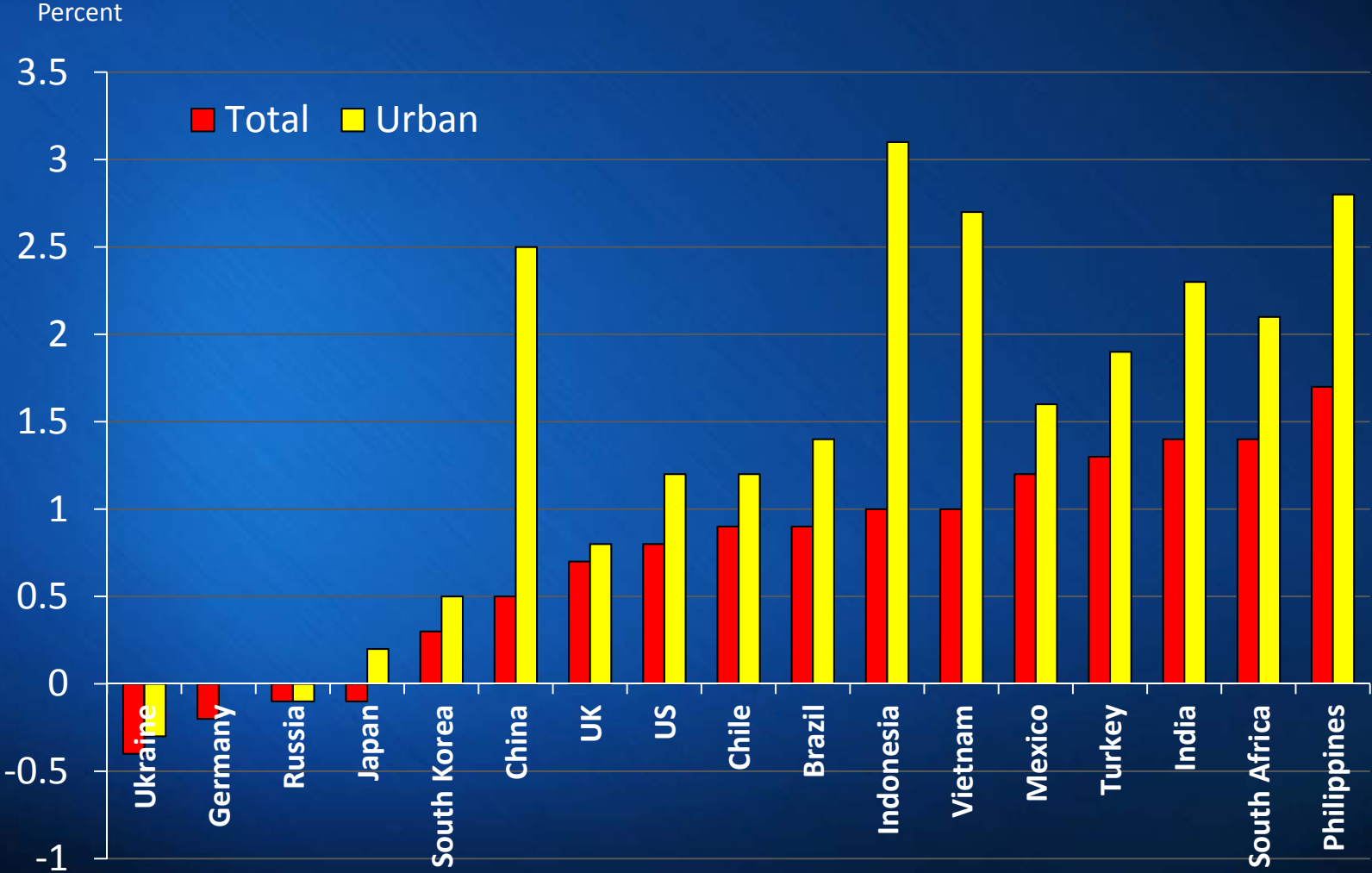
Middle Class Growth, 2012-2022



Data source: Global Insight

Urbanization A Main Driver of Consumption Change

Urban and overall population growth, 2010



Data source: World Bank

OPPORTUNITIES -Modernization

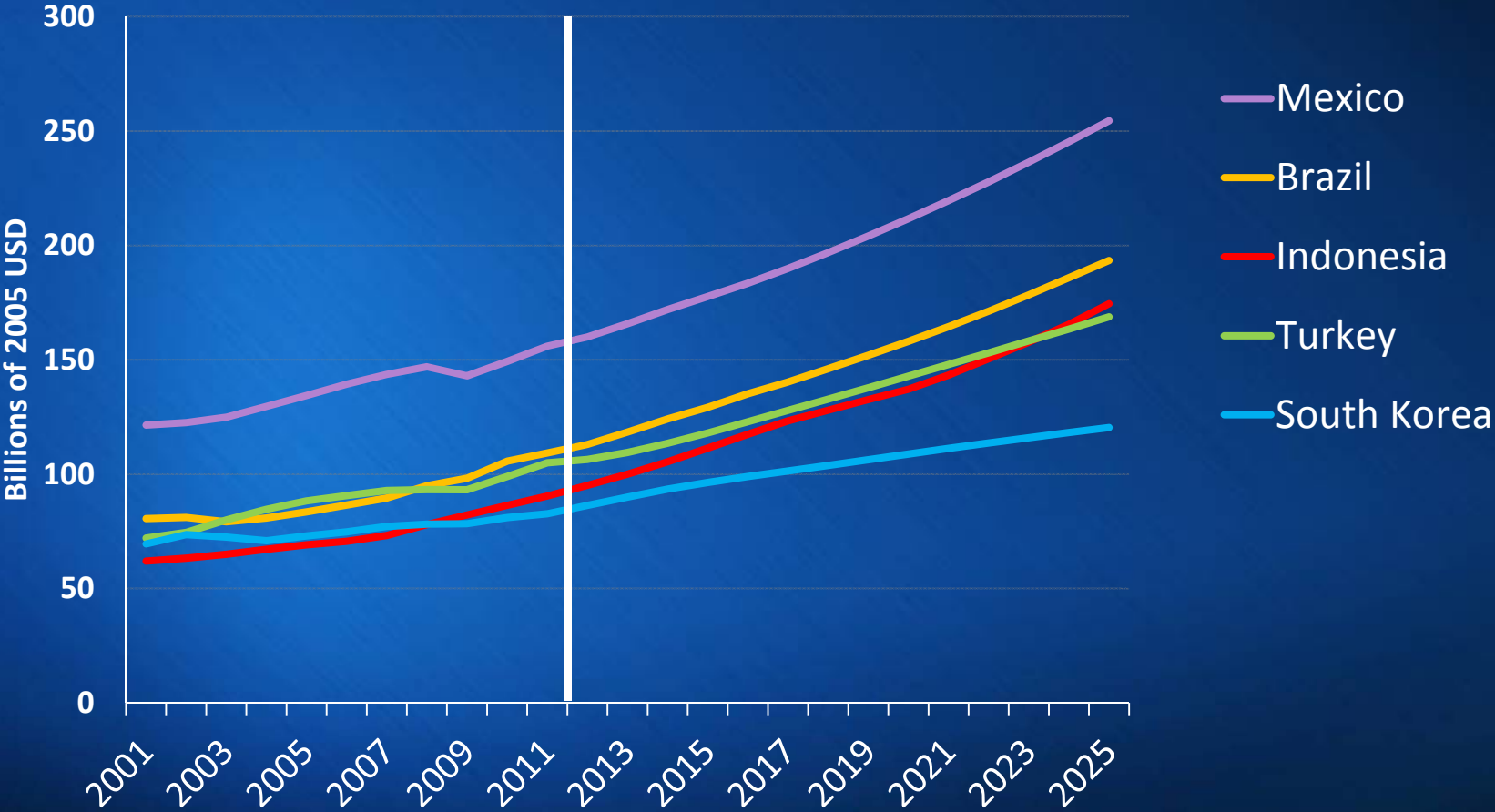


Number of Modern Retail Outlets

Description	2003	2005	2007	2009	2011
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

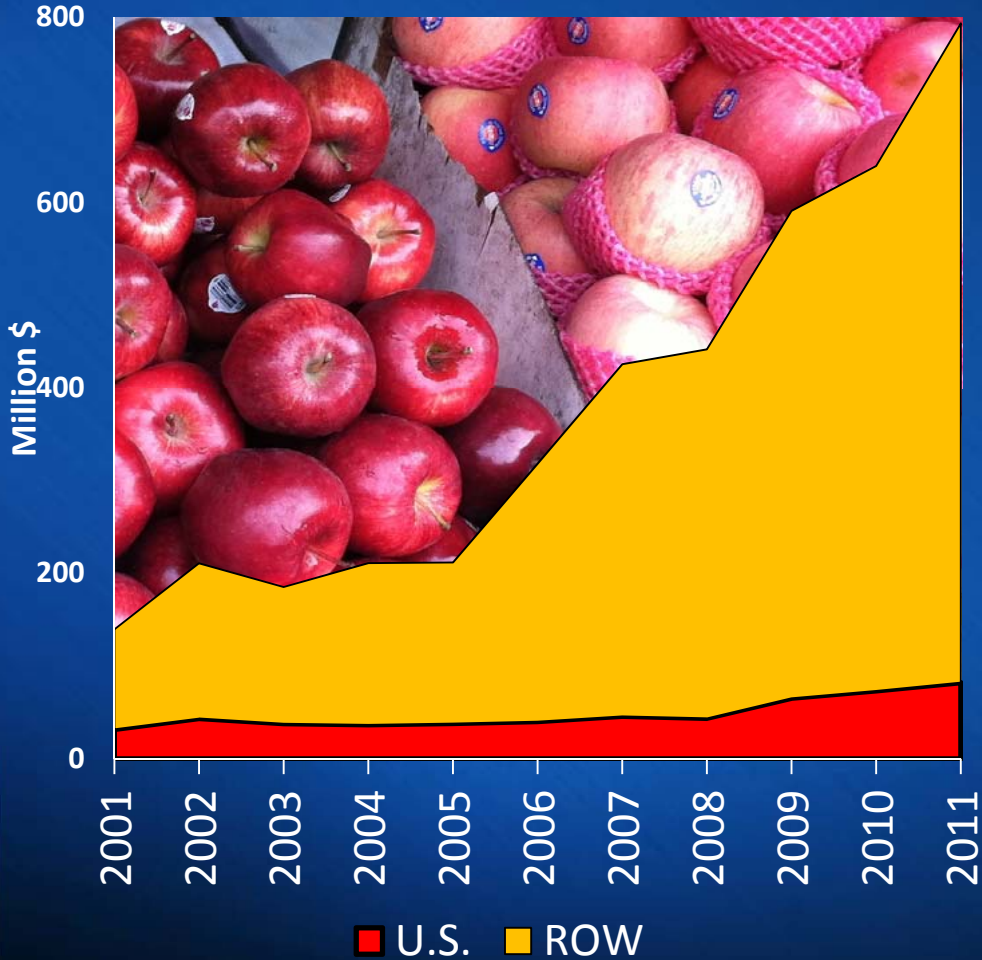
Retail Food and Beverage Sales



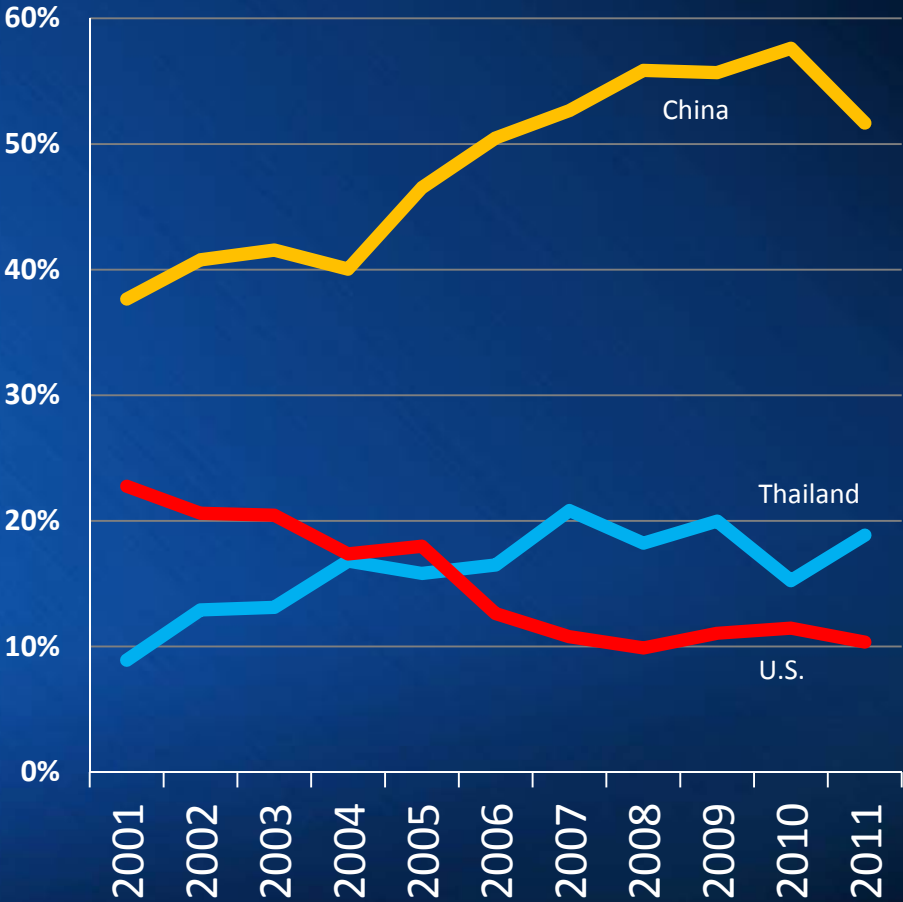
Data source: Global Insight

Fresh Fruit

Indonesia Imports

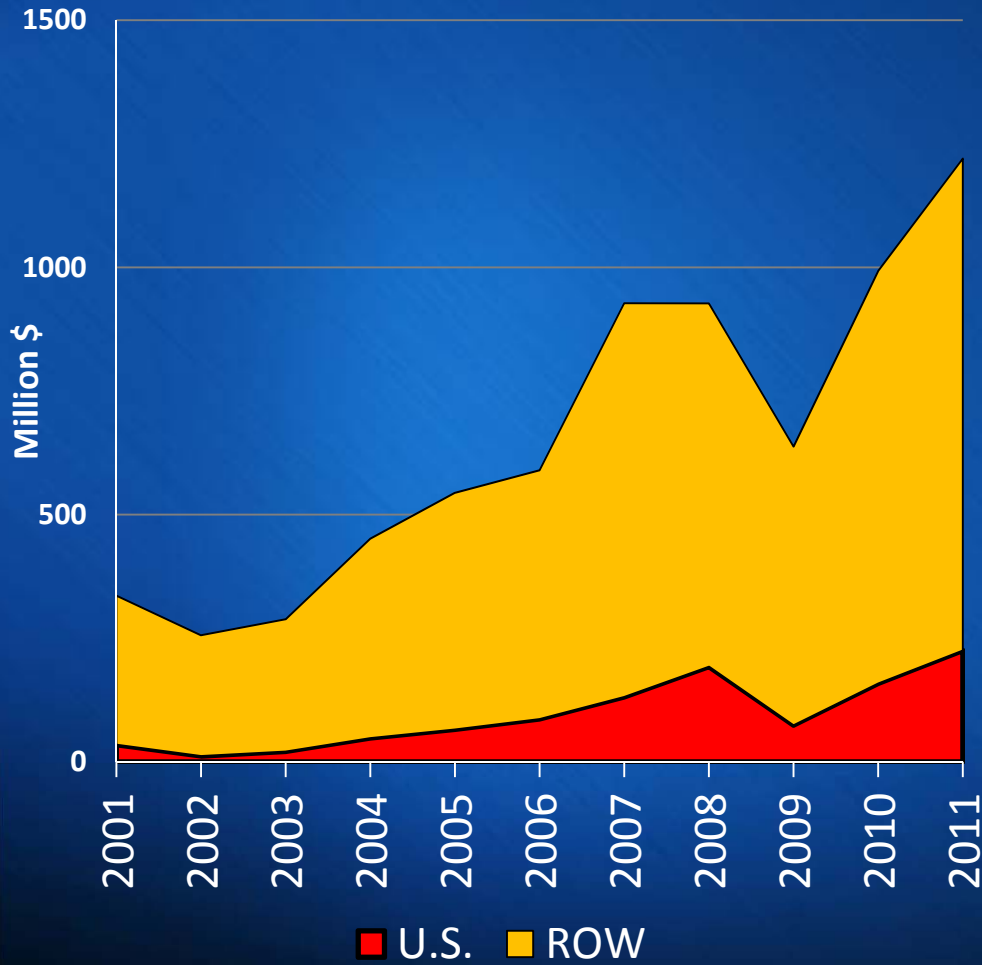


Major Suppliers

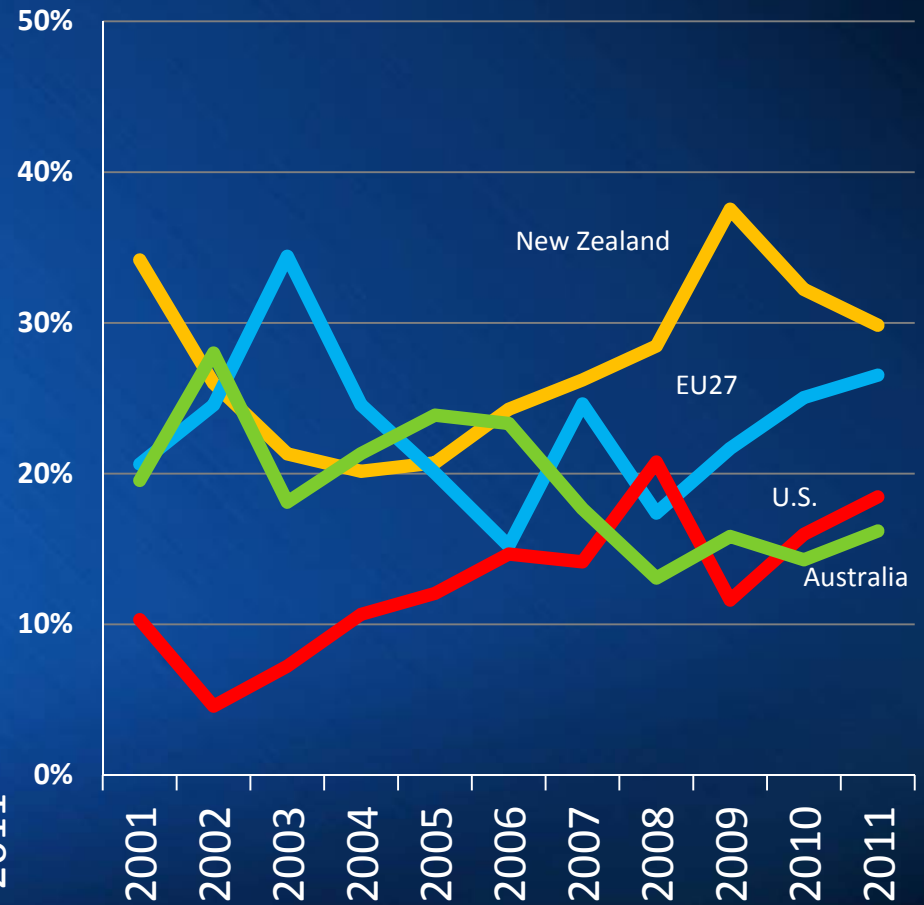


Dairy

Indonesia Imports



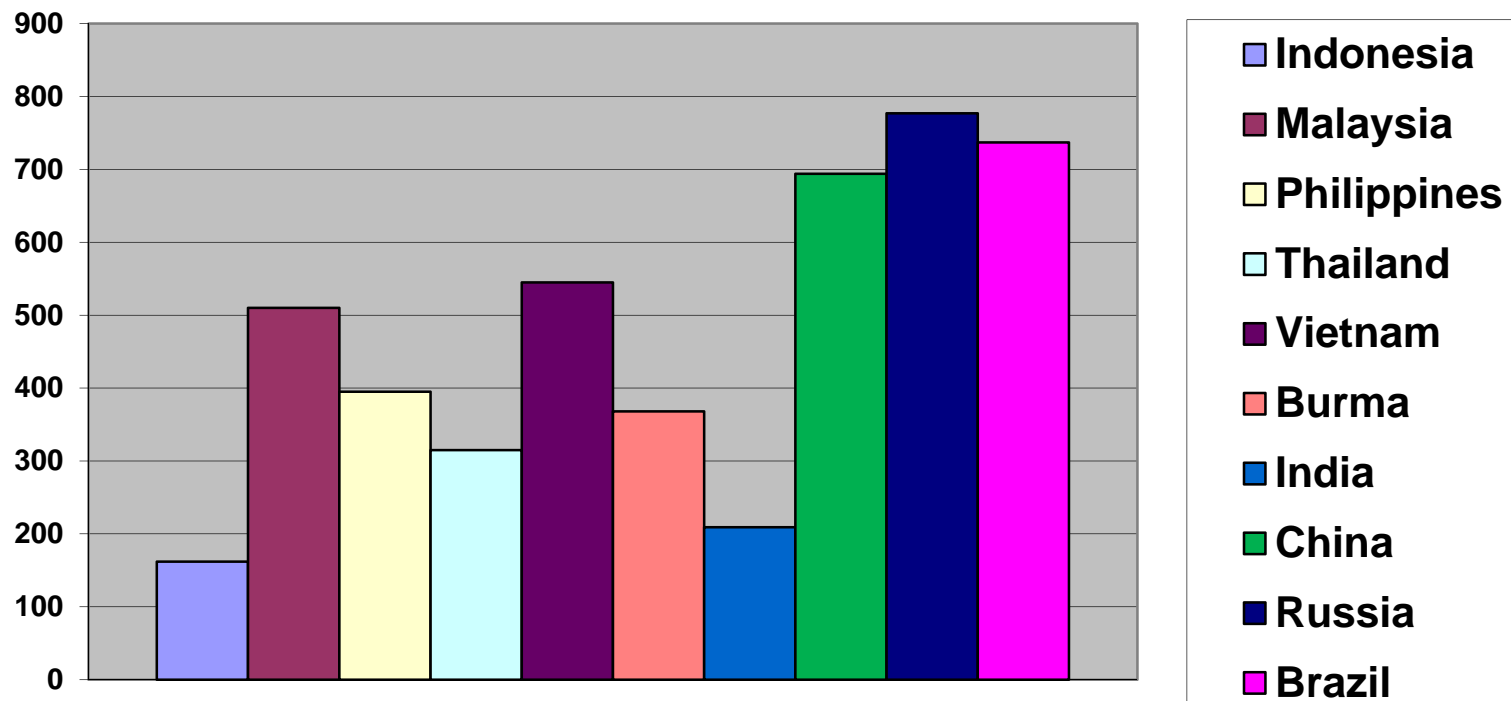
Major Suppliers



OPPORTUNITIES

● Protein Consumption

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



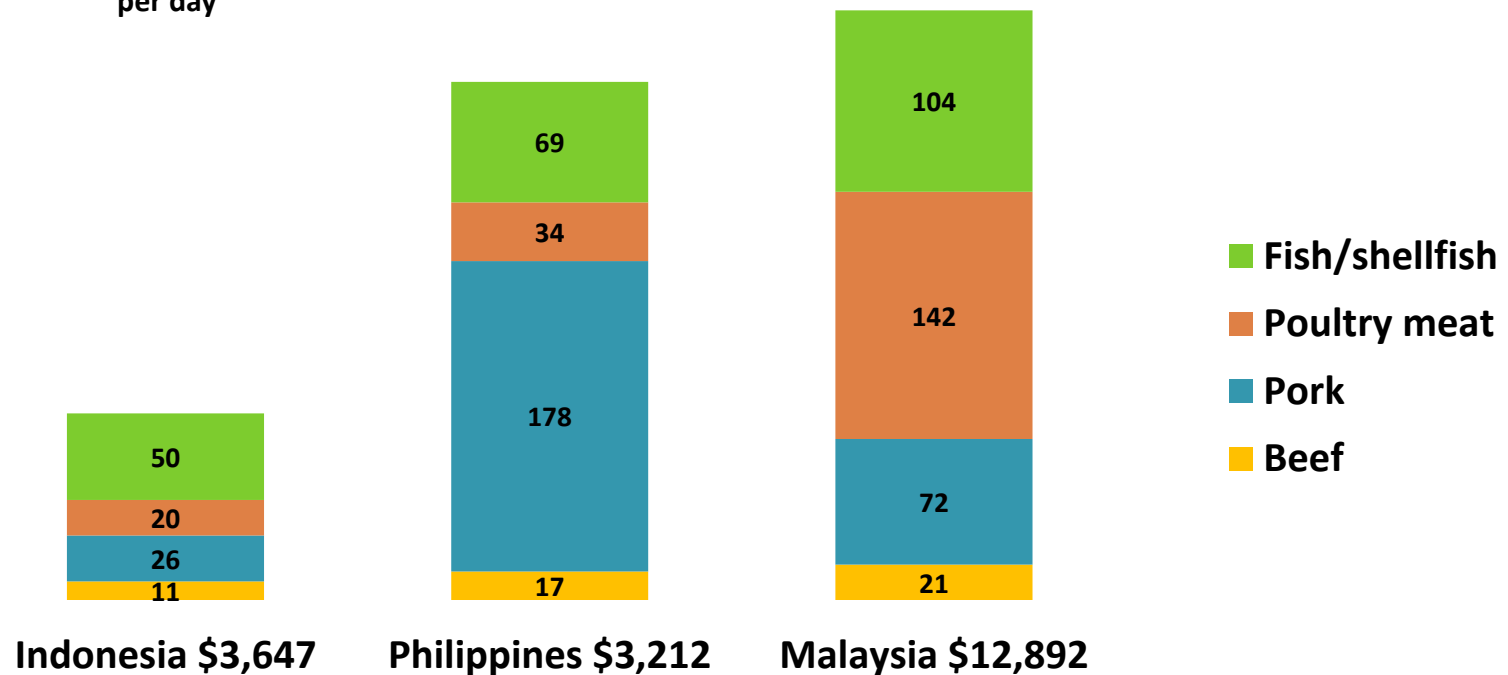
Source: USDA, Economic Research Service, using FAOSTAT data.

OPPORTUNITIES

● Protein Consumption

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

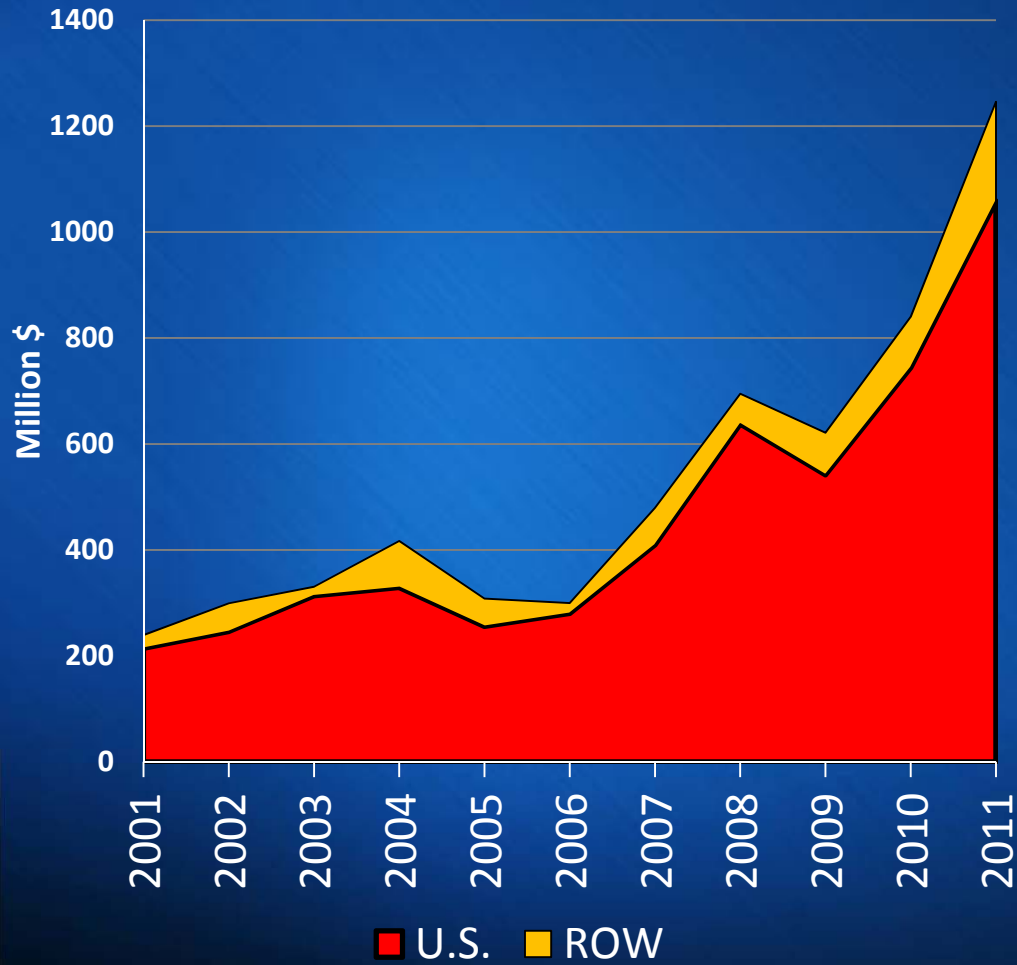
Kilocalories per person,
per day



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

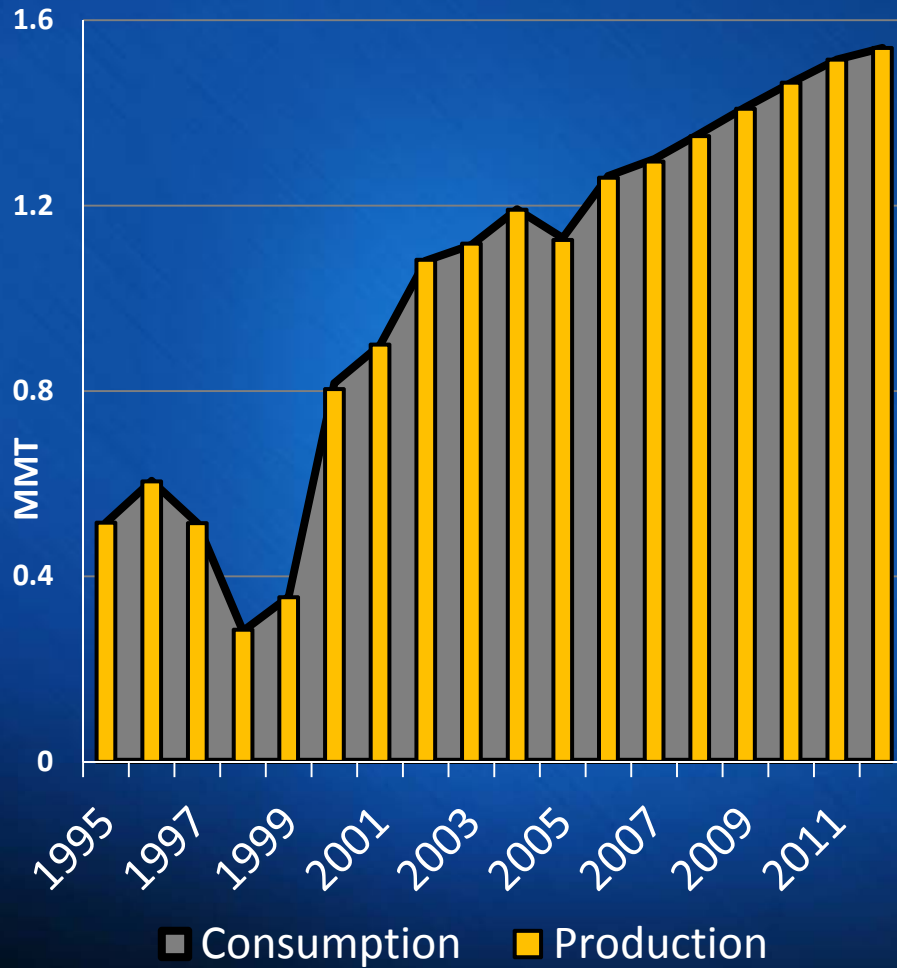
Indonesia Imports



Tempeh

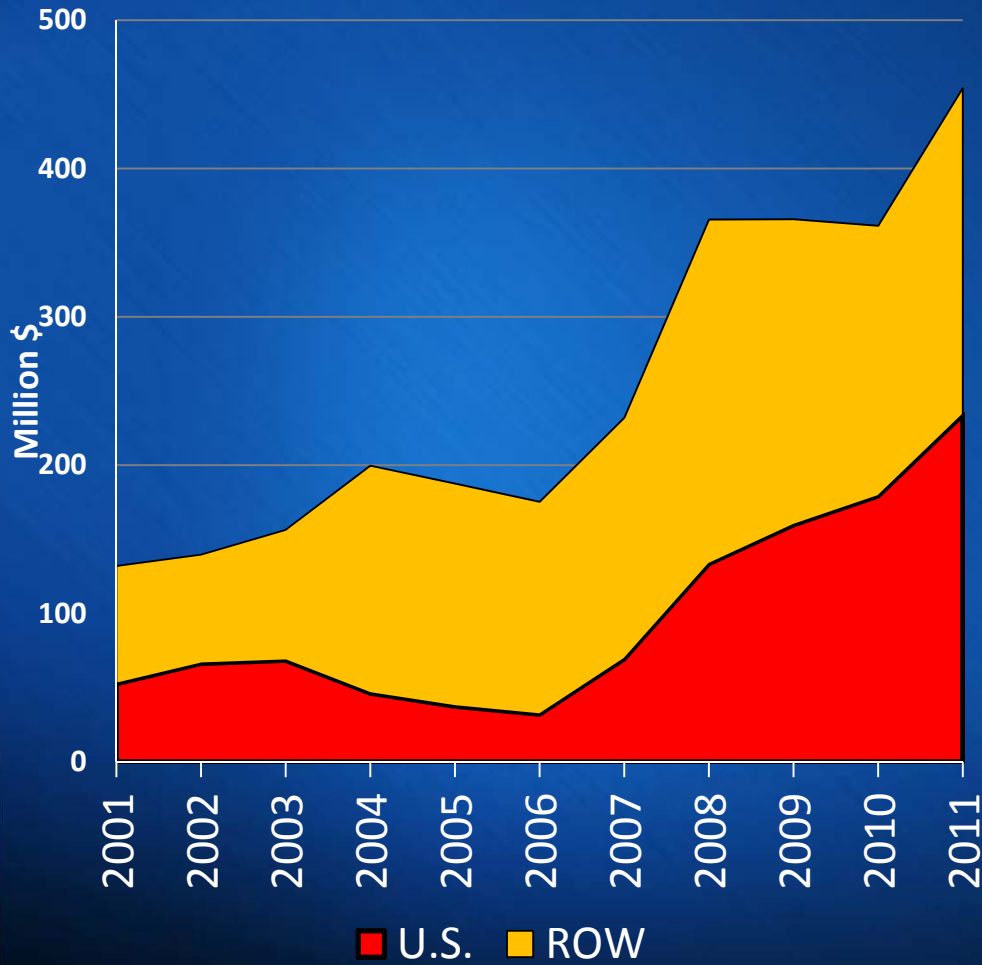


Poultry: strong growth potential

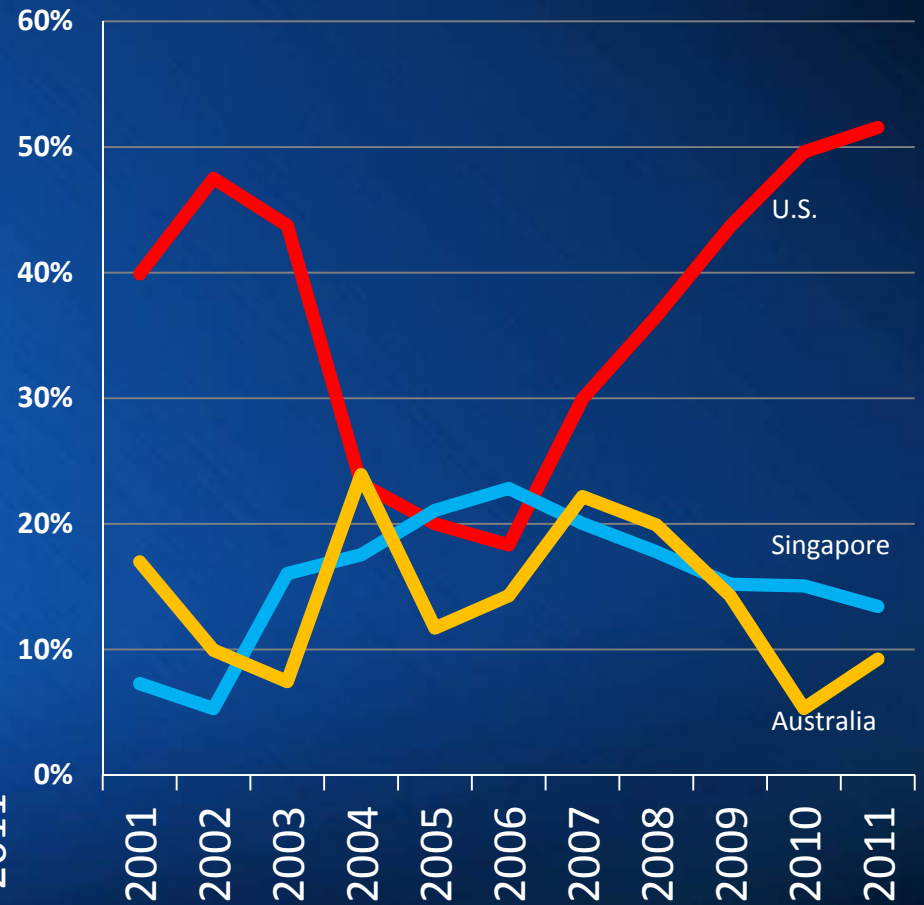


Feeds and Fodders

Indonesia Imports

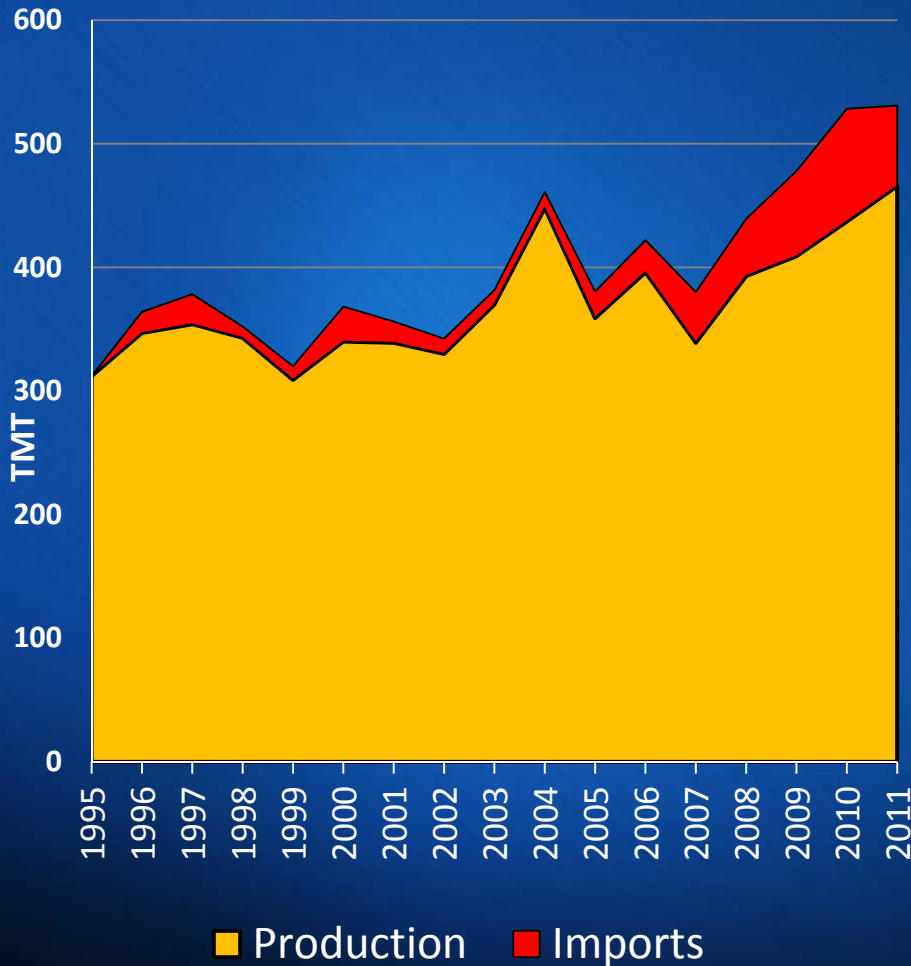


Major Suppliers

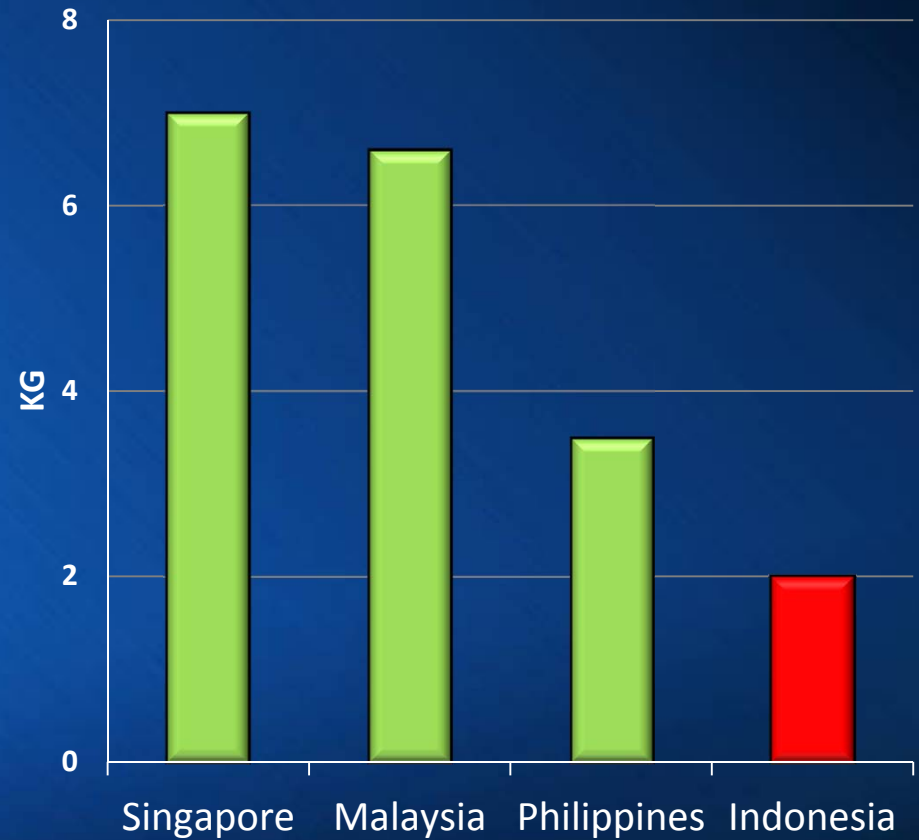


Beef: policy stifling demand?

Indonesia Beef Supplies



Per Capita Consumption



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

Summary

- 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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- Dyck, John, Andrea Woolverton, Fahwani Rangkuti. June, 2012. *Indonesia's Modern Retail Sector: Interaction with Changing Food Consumption and Trade Patterns*. USDA/ERS Economic Information Bulletin No. 97
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- OECD, 2012. *OECD Review of Agricultural Policies: INDONESIA 2012*. <http://dx.doi.org/10.1787/9789264179011-en>