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)

Data source: CIA World Fact Book
Country Overview – Island of Java

Figure 2
Indonesia population density, 2005

Java
Medan
Jakarta
Surabaya
Makassar

Persons per square kilometer
- 25,000
- 0

Major ports
Province
Other countries

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

- Bulk
- Intermediate
- Consumer-oriented
One of The Fastest Growing U.S. Markets

Top 10 U.S. Ag Markets, FY12

- China
- Canada
- Mexico
- Japan
- EU27
- South Korea
- Hong Kong
- Taiwan
- Indonesia
- Philippines

Billion $

Growth Trend, FY03-12

- China
- Canada
- Mexico
- Japan
- EU27
- South Korea
- Hong Kong
- Taiwan
- Indonesia
- Philippines

0% 10% 20% 30%
U.S. Ag Exports to Indonesia

<table>
<thead>
<tr>
<th>Year</th>
<th>TOTAL</th>
<th>Bulk</th>
<th>Int</th>
<th>Consumer-oriented</th>
</tr>
</thead>
</table>

- Soybeans: 38%
- Feeds & Fodders: 12%
- Others: 20%
- Cotton: 8%
- Wheat: 10%
- Dairy: 8%
- Fresh Fruit: 4%
- Others: 20%

U.S. Exports to Indonesia

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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
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
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

OPPORTUNITIES

GDP/person, at purchasing power parity, 2011

Constant 2005 international $

25,000
20,000
15,000
10,000
5,000
0

Indonesia
Malaysia
Philippines
Thailand
Vietnam
India
China
Russia
Brazil

Note: GDP = gross domestic product.
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
<table>
<thead>
<tr>
<th>Description</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Supermarket</td>
<td>900</td>
<td>1,140</td>
<td>1,380</td>
<td>1,146</td>
<td></td>
</tr>
<tr>
<td>Hypermarket</td>
<td>40</td>
<td>80</td>
<td>120</td>
<td>141</td>
<td>1,414</td>
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<tr>
<td>Minimarket</td>
<td>4,080</td>
<td>6,470</td>
<td>8,890</td>
<td>11,297</td>
<td>19,460</td>
</tr>
</tbody>
</table>

Source: Nielsen
Protein Consumption

Animal product supply, 2009

Kilocalories per person, per day

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

Kilocalories per person, per day

<table>
<thead>
<tr>
<th>Country</th>
<th>Kilocalories</th>
<th>Expressed as Kilocalories per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>178</td>
<td>50</td>
</tr>
<tr>
<td>Philippines</td>
<td>69</td>
<td>34</td>
</tr>
<tr>
<td>Malaysia</td>
<td>104</td>
<td>142</td>
</tr>
<tr>
<td>Total</td>
<td>347</td>
<td>21</td>
</tr>
</tbody>
</table>

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

Million $
Poultry: strong growth potential
Feeds and Fodders

Indonesia Imports

- Million $:
  - 0
  - 100
  - 200
  - 300
  - 400
  - 500

- Years:
  - 2001
  - 2002
  - 2003
  - 2004
  - 2005
  - 2006
  - 2007
  - 2008
  - 2009
  - 2010
  - 2011

- Categories:
  - U.S.
  - ROW

Major Suppliers

- U.S.
- Singapore
- Australia
Beef: policy stifling demand?

Indonesia Beef Supplies

Per Capita Consumption

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


