

MARKET BRIEF

INDONESIA

Global exports to Indonesia

- Rank #7 in the global dairy market (by volume).
- Destination for over 523,000 tonnes of dairy product, worth US\$1,249 million (in 2019/20).
- Exports have increased by 24.8% over five years (2015/2016–2019/2020).
- The biggest volume growth (product categories exceeding US\$20 million) has been in:
 - ice cream (110%)
 - lactose (97%)
 - WMP (37%)
 - SMP (29%)
 - protein (21%).
- The biggest volume decline (product categories exceeding US\$20 million) has been in:
 - butter oil (-5%)
 - casein (-3%)
 - infant powder (-3%)
 - butter (-3%).

Australian market share

- Rank #4 in the share of the Indonesia import volume.
- Destination for close to 42,000 tonnes of Australian dairy product, worth almost US\$116 million (in 2019/20).
- Exports have decreased by 20.4% over five years (2015/2016–2019/2020).
- The biggest volume growth (product categories exceeding US\$1 million) has been in:
 - whey powder (67%)
 - cheese (41%).
- The biggest volume decline (product categories exceeding US\$1 million) has been in:
 - milk (-59%)
 - SMP (-39%)
 - yoghurt (-28%).

Market developments

The opportunity for global dairy imports into Indonesia has continued to grow for exporters in recent years. The Indonesian economy has improved substantially, with gross domestic product (GDP) expanding around 5% annually, significantly above growth rates observed in developed countries. Increased urbanisation, steady middle class growth and a rise in household incomes have caused household food expenditure and consumption of dairy products to surge. Global dairy exports to this market have grown by almost 25% over the past five years.

As Indonesia's population continues to expand and consumers look to incorporate a more westernised diet, demand for dairy products has been increasing. Currently, Indonesia imports over 523,000 tonnes of dairy product, worth close to US\$1,249 million (2019/20). In recent times, Indonesia has been working to become less reliant on dairy product imports, with increased focus on expanding the national herd. This has seen Australian dairy cattle exports to Indonesia increase by approximately 34% over the past five years.

Exporters looking to capitalise on Indonesia's robust demand for dairy, are often faced with several challenges when entering the market. Indonesia's population is dispersed across multiple islands, and poor infrastructure, particularly around cold storage, can make distribution difficult. Consequently, most companies are limited to areas such as Java, including both Jakarta and Surabaya, and Bali to service the tourism and hotel industries. Some domestic policies have presented challenges for exporters, with the Indonesian Government remaining subject to protectionist and economic nationalist influences. In the past, tariffs have been raised on imported foodstuff citing 'food sovereignty' as a reason, as well as placing other non-tariff restriction on trade with little prior consultations. Nevertheless, the Indonesian Government has committed to improving port processing times, alongside streamlining inspections and approval processes for agricultural imports.

As Australia's milk pool has contracted over the past five years, exports to Indonesia have fallen by more than 20%. Significant competition has thus arisen from other exporting nations, such as the US and the EU, with volume exported surging 99% and 15%, respectively during this time. This has especially been the case for Australian exports of skim milk powder (SMP), which fell 39%, whilst the US increased SMP exports by 160%. The EU's export expansion has since faltered, as the Indonesian government in 2019/20 blocked new import approvals in retaliation against EU imposed anti-subsidy tariffs on Indonesian biodiesel.

In light of increased export competition, the ratification of the IA-CEPA trade agreement (see following section) has been welcomed by the dairy industry. This agreement has improved the trade relationship between our countries and given Australian exporters superior market access into Indonesia. This agreement has the potential to enhance the competitiveness of Australian dairy products in the market and increase export opportunities in the future.

Tariff environment

The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) entered into force in 2015 for the 10 countries involved, with the First Protocol implemented for Indonesia in March 2019. In July 2020, negotiations between the Australian and Indonesian Governments concluded as the IA-CEPA (Indonesia-Australia Comprehensive Economic Partnership Agreement) was ratified. More information can be found on the Dairy Australia [website](#).

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. These include the Southeast Asia Dairy Scholarship program aimed at familiarising dairy and food industry professionals from the region with aspects of the Australia dairy industry and the Southeast Asian Alumni Program for past scholars. Dairy Australia regularly visits Indonesia and presents seminars to local industry players in key markets.

Figure 1 Dairy imports

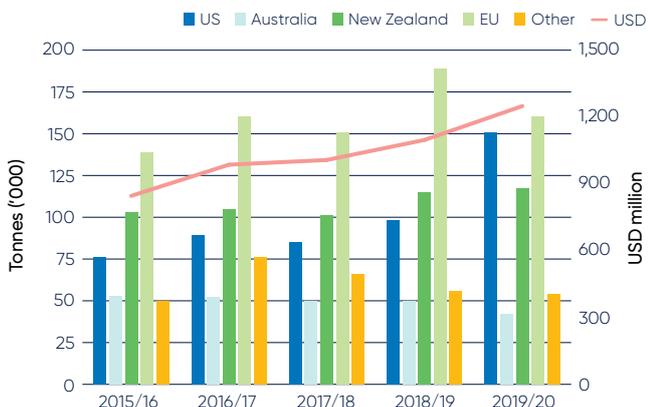


Figure 2 Top dairy exports to Indonesia by volume

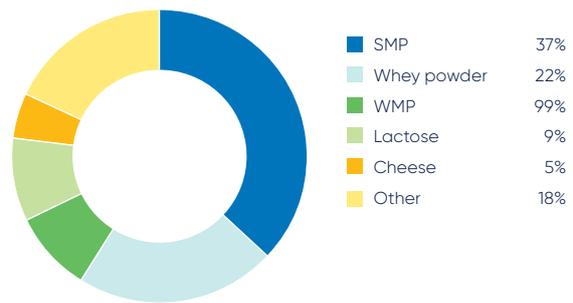


Figure 3 Top dairy exports to Indonesia by US\$ value

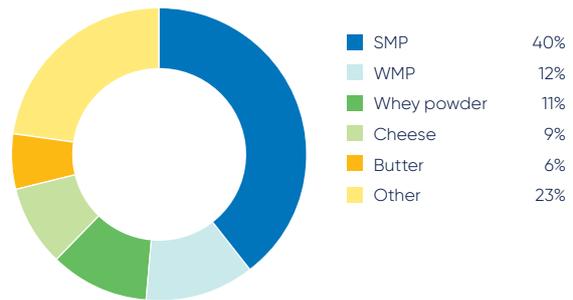


Figure 4 Top Australian dairy exports by volume

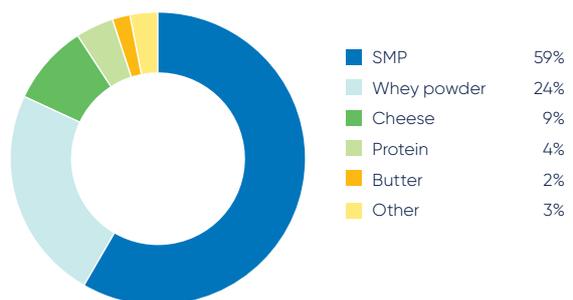


Figure 5 Top Australian dairy exports by US\$ value

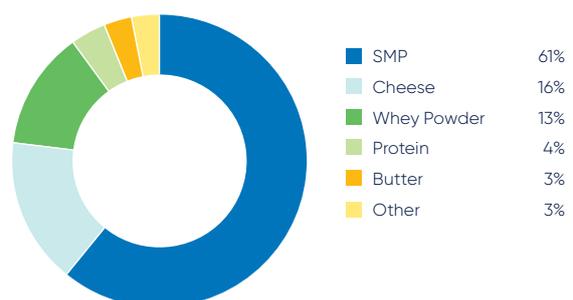


Figure 6 Australian exports

Product group	Market share (US\$ %)		Volume ('000)		Value (million US\$)	
	2015/2016	2019/2020	2015/2016	2019/2020	2015/2016	2019/2020
SMP	27.7	14.2	40.8	24.7	87.2	70.1
Cheese	16.3	17.5	2.8	4.0	12.9	18.8
Whey powder	7.3	11.6	5.9	9.9	9.0	15.6
Protein	0.0	19.6	0.0	1.6	0.0	4.4
Butter	4.0	4.3	0.7	0.7	2.1	3.4
Total	13.8	9.2	52.7	42.0	117.0	115.5

Figure 7 Dairy tariffs

Tariff category	Product category	Applied tariff %
0402	Milk and cream, concentrated or containing added sugar or other sweetening matter	0
0403	Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa.	0
0404	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.	0
0406	Cheese and curd	0

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: China (ChAFTA), Indonesia (AANZFTA), Japan (JAEPA), The Republic of Korea (KAFTA), Malaysia (MAFTA), Philippines (AANZFTA), Singapore (SAFTA), Thailand (TAFTA), and the USA (AUSFTA).

FURTHER INFORMATION

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