Indonesia

MARKET SNAPSHOT | BEEF & SHEEPMEAT

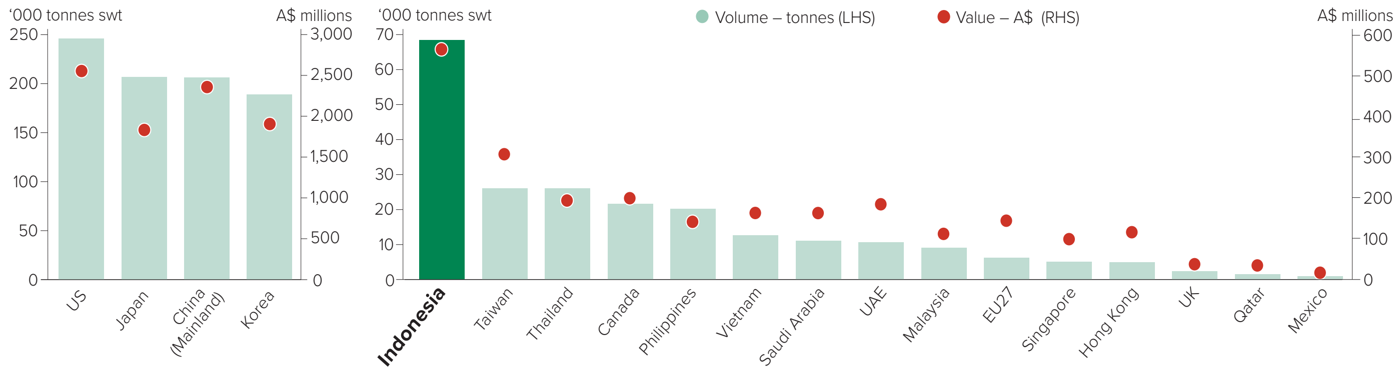
MEAT & LIVESTOCK AUSTRALIA

EXPORTS
Largest beef and livestock trade partner in SEA

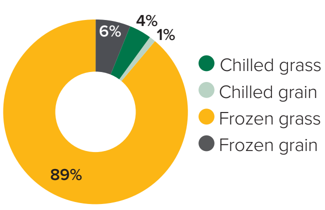
CONSUMERS
Large population with an expanding middle-income consumer base

GROWTH
Modern and online retail driving demand for quality red meat

Australian beef exports to Indonesia in a global context [1 and 2]

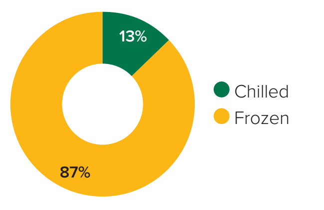


Australian beef exports – volume[1]



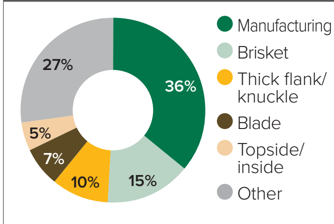
Total 68,387 tonnes swt

Australian beef exports – value[2]

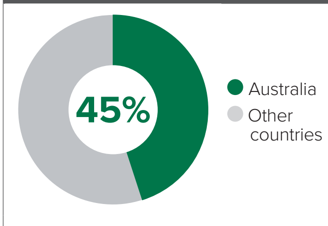


Total A$564 million

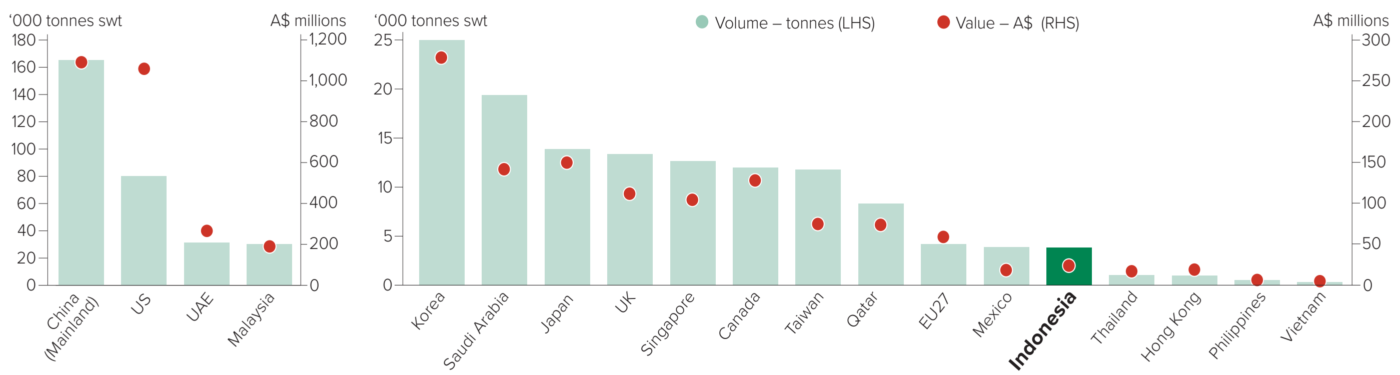
Australian beef exports by cut[1]



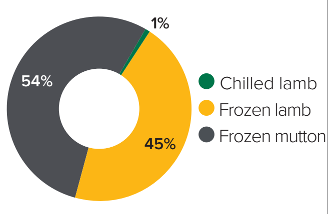
Australia's volume share of beef imports[2]



Australian sheepmeat exports to Indonesia in a global context [1 and 2]

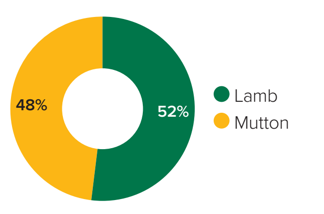


Australian sheepmeat exports – volume[1]



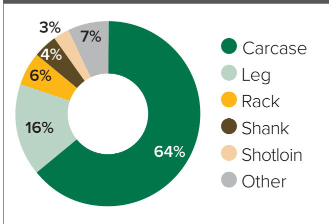
Total 3,845 tonnes swt

Australian sheepmeat exports – value[2]

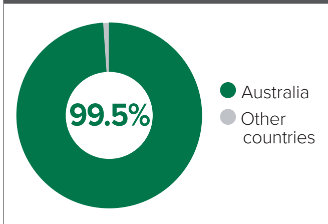


Total A$23 million

Australian sheepmeat exports by cut[1]



Australia's volume share of sheepmeat imports[2]



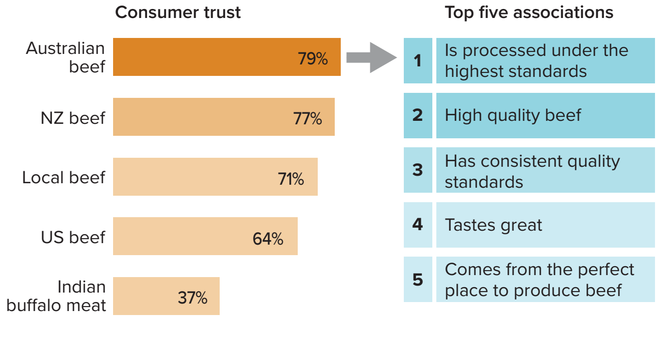
Data source for charts: [1]DAFF (CY2023), [2]S&P Global MI Global Trade Atlas (GTA) (MAT Nov 2023)

Beef

CONSUMERS

- Indonesia has the largest middle-class in South-East Asia. The number of households with annual disposable income over U$35,000 – who can afford to purchase premium imported beef regularly – is anticipated to expand 6.2% annually until 2027 *(Source: Fitch Solutions)*.
- Indonesia's per capita meat protein consumption is relatively low at around 19kg but is forecast to grow at 1.6% annually to 2027, underpinned by rapid growth in disposable income. Beef holds significant importance in Indonesian diets, contributing nearly 15% to per capita meat consumption, which is the highest share in South-East Asia *(Source: GIRA)*.
- The island of Java is home to over 50% of Indonesia's population but accounts for approximately 70% of the country's total beef consumption. MLA estimates that around 70% of Australian beef is consumed in the Greater Jakarta region.
- Beef is a popular meat in Indonesia, widely used in many dishes with rendang (beef braised with coconut milk and spices), bakso (meatball) soup, or semur (beef stew) among the more famous traditional beef dishes.
- Given recent animal disease outbreaks in Indonesia, attributes related to safety and provenance have increased in importance to consumers. Australian beef is well-positioned to offer peace of mind due to a strong positive perception of Australia's robust and transparent production systems, traceability and consistency of high quality standards *(Source: MLA Global Consumer Tracker, Indonesia 2023)*.
- Indonesians are heath conscious, with 44% of upper income earners saying they consider the impact on their health and wellbeing in their food choices *(Source: GlobalData Consumer survey, Q2 2023)*. Australian red meat is well positioned to deliver on consumer health needs thanks to its association with quality standards and nutrition credentials *(Source: MLA Global Consumer Tracker, Indonesia 2023)*.

Consumer trust in beef supplier and top five associations of Australian beef by affluent* consumers



Source: MLA Global Consumer Tracker, Indonesia 2023
** Affluent = households earning Rp 100,000,00+ p.a.*

- Food plays an important role in celebrations, bringing people together. Hence, beef consumption spikes during festive seasons such as Ramadan and Eid al-Adha. Australian beef is highly regarded as a superior product, strongly associated with delicious taste and being the ideal choice for special occasions with family and friends.
- Continued growth in demand for highly marbled beef underscores growing sophistication in the market. Import demand for Australian grainfed beef reached an all-time high of 4,000 tonnes shipped weight (swt) in 2022–23 *(Source: DAFF)*.

FOODSERVICE

- Indonesia has a vibrant and highly fragmented foodservice sector, with almost 95% of the market dominated by small, independent local cuisine restaurants. These restaurants typically utilise fresh beef from local and Australian cattle or frozen imported meat, including Indian buffalo meat.
- Dining out is increasingly an integral part of the urban Indonesian lifestyle, led by millennial and Gen Z consumers who make up over half the population. This consumer segment aspires to experiment with new food trends and cuisines from different cultures. Indonesia's foodservice sector is seeing rapid expansion of many different kinds of restaurants and trendy new food hubs in large cities. In particular, Japanese and Korean cuisines, Western-style BBQ and steakhouses have all grown in popularity.
- The foodservice sector is evolving with new partnerships and concepts, from mobile restaurants and cloud kitchens to ready-to-cook and ready-to-eat offerings. Online delivery and takeaway are also important revenue streams driven by the growing need for convenience and time-saving meal solutions for the busy urban middle class.
- Indonesia's tourism sector is recovering fast post-pandemic, with visitor numbers forecast to exceed 2019 levels in 2024 *(Source: Fitch Solutions)*.

Indonesia tourist arrivals and international tourism receipts

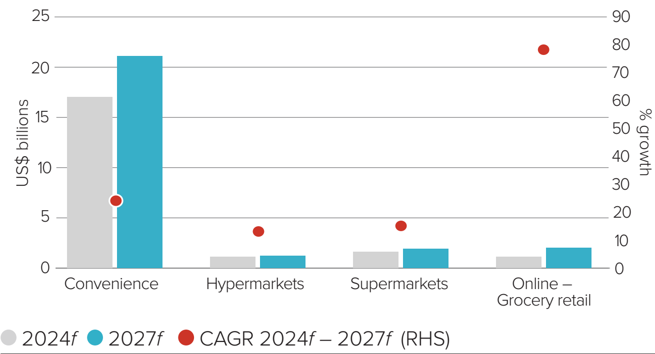
Source: Fitch Solutions

Beef bowl at a Japanese restaurant

RETAIL

- Indonesia's retail sector is also highly fragmented, with traditional channels making up approximately 88% of the sector. However, modern retail is expanding, and is expected to continue to grow market share in the coming years.
- Wet markets remain an important distribution channel for beef in Indonesia. Consumers purchase beef most frequently from wet markets. This is partly driven by the perceived freshness of beef sold in wet markets and Indonesian consumers' preference for hot meat and their habit of cooking from fresh ingredients purchased on the day. The majority of Australian cattle imported into the country are channelled into wet markets as hot carcases, with around 10% sold into modern retail outlets.
- In Greater Jakarta, consumers generally purchase beef from multiple retail channels, from modern to traditional. Australian boxed beef is sold across a range of different retail channels, with supermarkets and hypermarkets being the most common.
- Indonesia is seeing a growing preference for smaller modern retail outlets such as hybrid supermarket formats. The expansion of modern retail to second-tier cities in Java such as Surabaya, Bandung and Semarang offers opportunities to increase Australian beef sales in retail beyond the Greater Jakarta region.
- There has been an emerging trend towards modernisation and premiumisation in the meat retail space across Greater Jakarta, driven by a number of leading meat importers and distributors opening up their own butcher shops and offering a range of high-quality meat products including both locally-slaughtered and imported beef products.
- Online retail will maintain its robust growth momentum, driven by increased investments by physical retailers to complement their brick-and-mortar stores. These retailers are competing in the digital landscape with major international players by offering a broader selection of groceries and faster delivery *(Source: IGD)*.

Grocery retail sales and growth in modern retail channels*

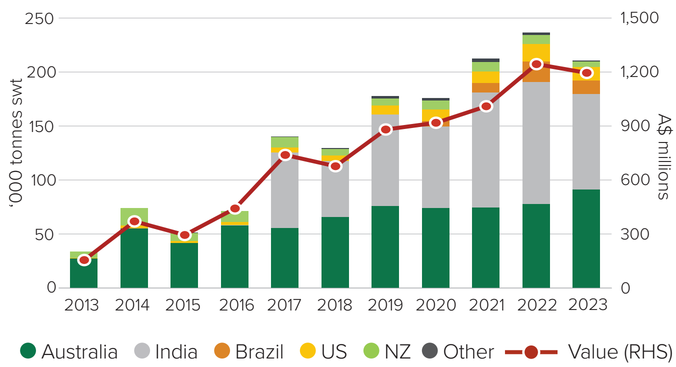


*Source: IGD. * Excludes traditional channels and other modern retail. CAGR = compound annual growth rate*

COMPETITIVE LANDSCAPE

- Indonesia's beef industry meets close to 60% of domestic market demand *(Source: GIRA)*. A proportion of its production system relies on imported feeder cattle from Australia, which are finished in local feedlots and processed in local abattoirs. Improved feeder cattle supply has enabled beef from live cattle processed locally to remain competitively priced, despite increased biosecurity, regulatory, feed and labour costs. The Indonesian government's retail beef price ceiling policy* continues to operate, particularly during peak beef consumption periods, to support beef affordability for consumers.
- The reduction in activity on feedlots in recent times has benefited boxed imports, particularly from lower cost suppliers. In an effort to limit price rises, the Indonesian government is diversifying its supply sources by importing larger volumes of Indian buffalo meat and Brazilian beef.
- Following last year's record volume, in 12 years ending August 2023 Indonesia imported its second highest boxed beef volume of 210,586 tonnes swt. Australia was the largest supplier with a 43% volume share, followed by India at 42%, and Brazil and the US with 6% *(Source: S&P Global MI Global Trade Atlas (GTA))*.
- Australia plays an important role in satisfying Indonesia's growing demand for quality beef. In the 12-month ending August 2023, Australian boxed beef saw a 17% volume increase, reaching 90,914 tonnes swt, supported by easing Australian beef prices and higher demand from foodservice. Considering combined boxed beef, live cattle and offal, Australia is the largest contributor to Indonesian beef consumption after domestic production *(Source: S&P Global MI Global Trade Atlas (GTA))*.
- India is the second largest boxed beef/buffalo meat supplier. In the 12-month ending August 2023, imports of Indian buffalo meat (IBM) dropped 22% year-on-year to 88,465 tonnes swt due to importers switching back to more competitive beef meat prices and Australian live cattle prices. However, IBM demand is expected to remain strong due to the demand for the product from both lower income consumers and the large, informal manufacturing sector. In 2024, the Indonesian government is likely to maintain its 100,000 tonnes import allocation for IBM.
- Imports from Brazil have increased since regaining market access in 2019. In the 12-month ending August 2023, imports reached 12,807 tonnes swt, down 31% year-on-year. Demand for cheap beef to alleviate domestic beef prices has been a key driver of demand. In 2023, the Indonesian government expanded the Brazilian import quota from 20,000 tonnes to 100,000 tonnes and authorised a total of 21 halal certified plants to export to Indonesia, with the intent of diversifying and increasing supply.
- With recent regulatory changes and the change in Indonesia's foot-and-mouth disease status, private importers can potentially directly import Indian buffalo meat and Brazilian beef – something previously conducted by Indonesian government enterprises.
- The US and New Zealand both saw reduced imports of 24% and 39% respectively with the US facing supply limitations and NZ shifting to alternative markets.

Indonesia beef imports by supplier*



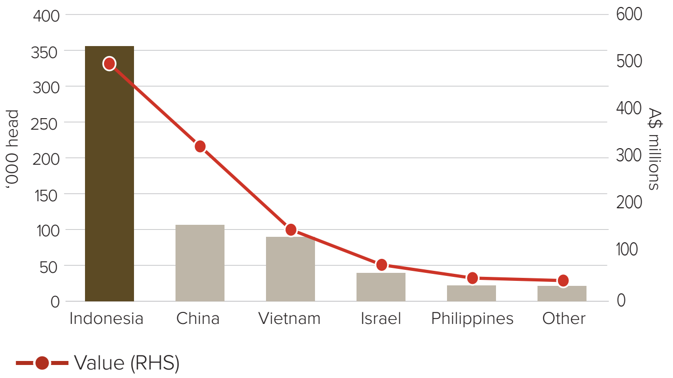
*Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending August*

*Ref: MoT regulation 7/2020

AUSTRALIAN LIVE CATTLE EXPORTS

- Indonesia stands as the largest market for Australian live cattle exports, representing approximately 55% of the export volume in 2022–23. In the 12-month ending for August 2023, Australian exports to Indonesia reached a total of 365,617 head, marking a 12% increase on the previous 12 month period. Despite the temporary suspension of four quarantine yards in July, the trade has seen consolidation due to more favorable prices and increased cattle availability.

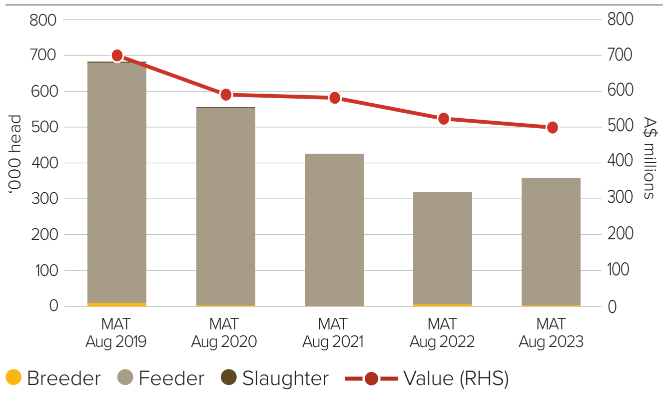
Top five Australian live export markets



DAFF, ABS. From August 2022 to July 2023

- Despite biosecurity tensions, the Australian live cattle export trade to Indonesia has returned to a more regular operation, thanks to the implementation of robust biosecurity measures and vaccination controls within feedlots. The Indonesian government continues its persistent efforts to manage diseases within smallholder communities.
- Beef derived from Australian live cattle in Indonesia is mostly sold through wet markets – an increasingly competitive channel due to the growing penetration of cheaper products, including Indian buffalo meat and Brazilian beef. Wet market shoppers are typically price sensitive, hence sellers favour frozen Indian buffalo meat over fresh beef when prices are high *(Source: APDI/MLA Survey, 2018)*.
- In August 2023, in order to enhance supply competition, Indonesia and Brazil signed a protocol for the inspection and approval of Brazilian export facilities for live cattle to Indonesia. In 2022, Brazil exported a total of 71,393 tonnes of live cattle to various countries, including Iraq, Turkey, and Jordan *(Source: Ministerio da Industria, Comercio Exterior E Servicos)*.
- Under the Indonesia-Australia Comprehensive Economic Partnership Agreement (AI-CEPA), in 2024 Australia has an Indonesia access quota of 672,669 head of male cattle at a 0% tariff rate. Tariff-rate quota volumes are expected to expand around 4% per year to reach 700,000 head.

Australian live cattle exports to Indonesia



Source: DAFF, ABS, MAT = moving annual total to August

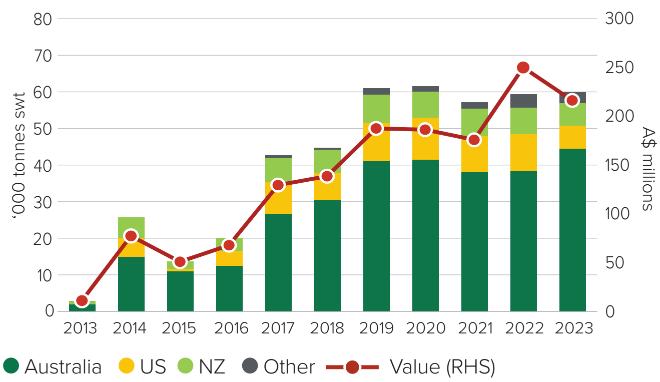
AUSTRALIAN BEEF OFFAL EXPORTS

- Beef offal is popular in Indonesian cuisine, widely used across households and the foodservice and manufacturing sectors. For example, tongue is one of the most popular cuts used in a variety of local dishes, while tongue root is used in processed food products.

Beef and offal Coto Makassar

- Following a period of robust growth since 2015–16, Indonesia's offal imports have remained strong and stable over the past three years. Australia is the leading supplier of offal, accounting for around 74% of the total import volume of 59,884 tonnes swt in the 12-month ending August 2023. Tongue accounted for 44% of volume, followed by heart at 20% and lung at 13%.
- Indonesia is the largest Australian offal export market by volume, ranking third in value after Korea and Japan with a value of A$163 million in the 12-month ending August 2023.

Indonesia beef offal imports*



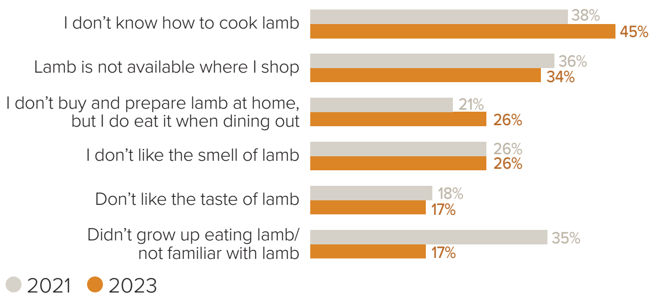
*Source: S&P Global MI Global Trade Atlas (GTA), *MAT year ending August*

Sheepmeat

CONSUMERS

- Sheepmeat is a niche protein in the Indonesian diet and is generally consumed on special occasions, particularly during religious festivals. Demand for sheepmeat in Indonesia typically spikes during the Islamic festive seasons around the months of Ramadan and Eid al-Adha.
- The primary obstacle to boosting lamb purchasing in Indonesia is the lack of understanding regarding lamb preparation and cooking. Nevertheless, a growing number of consumers are buying lamb and becoming more familiar with it *(Source: MLA Global Consumer Tracker, Indonesia 2023)*.
- Affluent millennials (aged 25–40) have a stronger interest than others in eating sheepmeat and learning how to cook it in more exciting dishes *(Source: MLA Attractive Cities Study Jakarta, 2018)*. Indications are that these consumers are more likely to buy and cook sheepmeat at home if they have first tried it in dishes at a restaurant, are given a free sample, or are provided with inspiring recipe ideas.

Barriers to Indonesian consumers buying lamb



Source: MLA Global Consumer Tracker, Indonesia. % Agree scores

FOODSERVICE

- With lack of cooking knowledge as the key barrier to buying lamb at retail, foodservice remains the strategic channel to grow sheepmeat consumption. Great eating experiences at restaurants can inspire consumers to cook more sheepmeat at home.
- In Indonesia, foodservice is the primary channel for Australian sheepmeat, particularly in mid- to high-end restaurants that serve both international and domestic tourists and local affluent consumers.
- Post-pandemic, foodservice partnerships with delivery apps such as GoFood and GrabFood continue to evolve their meal delivery offerings in this growing segment.

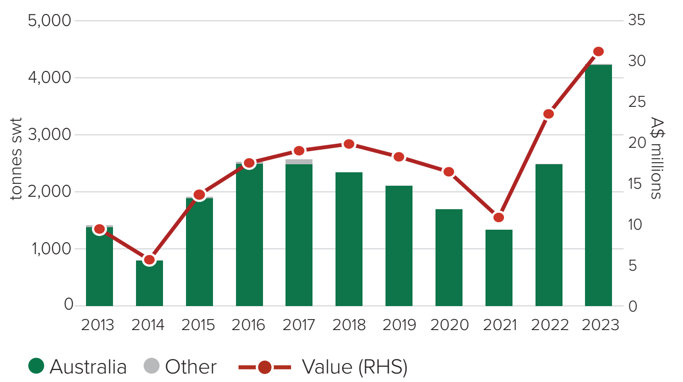
RETAIL

- Indonesian consumers purchase sheepmeat from various retailers, both modern and traditional. However, modern retail is the main place of purchase for imported products.
- Roasting, grilling and soups are the most popular ways of cooking lamb at home *(Source: MLA ASEAN Attractive Cities Study Jakarta, 2018)*. Retailers encourage consumers to trial sheepmeat by presenting cuts in easy-to-cook formats such as thin slice, cutlets or lamb chops, in addition to more traditional cuts such as lamb shanks and leg roasts.
- The strong growth trajectory of online retail is set to continue, propelled by physical retailers' augmented investments in their online platforms in response to consumer needs for convenience and time-savings *(Source: MLA Global Consumer Tracker, Indonesia 2023)*.
- With word-of-mouth and social media such as Instagram having a strong influence in consumption behaviours in Indonesia, these represent effective channels for educational campaigns to grow awareness and knowledge of lamb.

COMPETITIVE LANDSCAPE

- Indonesia has the largest local sheepmeat production in South-East Asia, with about 130,000 tonnes carcase weight supplying 98% of total sheepmeat consumed in the country in 2023e *(Source: GIRA)*.
- Sheepmeat imports doubled in the 12-month ending August 2023, reaching an all-time high of 4,241 tonnes swt. This surge was driven by the flourishing foodservice channel and the more favorable prices offered by Australia.
- Australia is by far the largest supplier of imported sheepmeat. In the 12-month ending August 2023, Indonesia more than doubled import volume from Australia to a record high of 4,222 tonnes swt, with roughly 60% consisting of mutton and 40% lamb *(Source: DAFF)*.
- In an effort to enhance the genetic quality of the domestic flock and to produce higher-yielding crossbred meat breeds, Indonesia's demand for Australian live breeder sheep more than tripled in the 12-month ending August 2023, reaching a total of 840 head *(Source: DAFF)*.

Indonesia sheepmeat imports by supplier



Source: S&P Global MI Global Trade Atlas (GTA)

Beef

Market access overview – beef

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN – Australia New Zealand Free Trade Agreement **(AANZFTA)** Indonesia-Australia Comprehensive Economic Partnership Agreement **(IA-CEPA)**	**Boxed beef: 0%** **Live cattle: 0%** 0% for male cattle within quota (672,669 head, reset on 1 January 2024), **2.5% out of quota;** 0% for all other product lines	**India (buffalo meat):** India-ASEAN FTA 5% tariff **Brazil and the US:** No FTA 5% tariff	Volumes managed by the Indonesian government's import permit system	Highly regulated market, with complex import conditions and regulations The government controls type of meat and offal products that can be imported into the country

Best access — Major challenges

Source: Trade agreements, DFAT

Sheepmeat

Market access overview – sheepmeat

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN – Australia New Zealand Free Trade Agreement **(AANZFTA)** Indonesia-Australia Comprehensive Economic Partnership Agreement **(IA-CEPA)**	**Under IA-CEPA: 0%** All sheepmeat products zero tariff since January 2023	**New Zealand:** Under Regional Comprehensive Economic Partnership **(RCEP)**: 0% tariff for chilled and 4% for frozen products **US:** No FTA – 5% tariff	Zero	Indonesia maintains import regulations in accordance with Halal requirements

Best access — Major challenges

Source: Trade agreements, DFAT, ITC