



EIBN Sector Reports

Bakery Ingredients



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Methodology

This report aims to highlight the potential of the bakery ingredients market in Indonesia. It is an overview of the business opportunities for European companies who want to expand their business and covers the bakery ingredients trend, market structure, key players in bakery ingredients market, current and future developments, as well as existing challenges.

In the preparation of this report, EIBN made use of a variety of sources and methods, which are briefly explained herein. General information regarding the bakery ingredients market and bakery trend analysis was retrieved from publicly available sources such as articles from Bareca magazine, The Jakarta Post, USDA, the official website of Statistics Indonesia (BPS), the Indonesian Investment Coordinating Board (BKPM), the Ministry of Trade and Industry of Indonesia, UN Comtrade, World Bank, and the World Economic Forum.

Executive Summary

The purpose of the following reports is to present an overview and to highlight potential opportunities in the bakery ingredients market for European businesses. According to the Indonesian Bakery Producer Association (APEBI), the average income growth of the bakery industry is above 10% each year. In 2019 this sector's income reached approximately USD 6 billion.

Therefore, the prospect of this sector is positive, owing to its ongoing growth, according to Euromonitor, the sales forecast for bread, cakes, and pastries in 2019 may reach up to 688,000 tonnes. There are only few Indonesian big market players in the Indonesian bakery market, but the number of small scale players is huge.

Based on the Statistics Indonesia bakery trend analysis in 2015, there are 639 registered bakery and cake product companies, which include both medium and large scale manufactures. Bakery in Indonesia mainly consists of breads, traditional snacks, cookies, wafers, biscuits, and cakes. The Indonesian bakery industry is flourishing, with increases of bakery product sales, as well as an increase of imported bakery ingredients. On average, the entire bakery industry in Indonesia uses around 70% imported ingredients and 30% local ingredients.

Although Indonesians have begun to recognise bakery products as a meal choice, most of them still consume bakery products as snacks. Analysis of the trends and preferences of Indonesian consumers is required by new businesses, as they continue to change from year to year. Each consumer segment in Indonesia have their own preferences towards bakery products; Western bread and pastries appeal to high-end consumers, Japanese and Asian bread and pastries are the preference of upper-middle income consumers, and local sweet breads and white breads are still largely consumed by lower-middle income consumers.

In September 2014, the Government passed Law No. 33 of 2014 on Halal Product Guarantee (UU JPH), which stipulates that halal certification is mandatory for all food, beverage, drugs and cosmetics, as well as chemical, organic, and genetically modified products sold in Indonesia. All imported products in Indonesia must be registered with BPOM. Importers, distributors or retailers dealing in unregistered products are in breach of the regulations and subject to a penalty, including confiscation of products. In some cases, trends, laws, and regulations in certain countries becomes a challenge for foreign players entering the market and competing with local players. Therefore. EIBN can help in navigating the Indonesian market. Overall, the future prospects and trends in bakery ingredients market sector remains broadly positive for specialized and quality products.

I. Introduction

Along with globalisation, an economic crisis, a fast-growing market and threats of new rising competitors, companies have had little choice other than reacting fast in order to survive. A growing middle-income population and an increasingly demanding consumer base has created a positive picture of consumption trends and future development in Indonesia. The bakery sector has also become an industry that has been highlighted as a promising investment sector in Indonesia for both key players – domestic and international.

In this respect, the main objective of this report will be to describe the present industry while highlighting its existing opportunities and challenges for European companies. There will be a general overview of the bakery industry and, more specifically, the bakery ingredients market structure, key players, and the consumers acting in this industry. However, future prospects and opportunities in the Indonesian market, including the national policies and regulations, will be briefly analysed.

II. Overview

2.1. Overview of bakery ingredients market

The Indonesian bakery industry is an interesting sector, as the market begins to grow. There are new international and local bakeries open in the country each year, especially those in shopping malls and department stores.¹ The average income growth of the bread and bakery industry is CAGR 6.8% 2019-2023. In 2019, this sector's income reached approximately USD 4,259 million.. The average income growth of the cookies and crackers industry reaches USD 1,784 million.

Following the Indonesian economy rapid growth, the consumption of bread and cakes also jumped almost 60% between 2016-2018, in 2019 the average annual consumption per capita is 9.5kg. According to the Australian Export Grains Innovation Centre (AEGIC), over the last five years, Southeast Asian nations imported a total of 42.9mmt million tons Australian wheat.. Indonesia imports in average 4.2 million tons of Australian wheat per year.

Bakery products in Indonesia mainly consist of breads (60%); traditional snacks (25%); cookies, wafers, and biscuits (10%); and cakes (5%). However, the market share is fluctuating, since the biggest holidays (especially Ramadan season) will shift the consumer choices.² The rising trend of Indonesian bakeries can also be viewed by the increased number of participants in bakery and bakery ingredients exhibitions; as shown by the increasing number of visitors at Food Ingredients Indonesia and Bakery Indonesia Expo.³

Basic ingredients for bakery industries in Indonesia are in high demand. In Table 1, we can see how Indonesian changed the way they consumed bakery products within a timespan of two years. In 2015, registered manufactures of Indonesian 'Other Bakery Products' reported about USD 41,600 in sales. Three years later, registered manufactures reported sales up to USD 134million) for 'Other Bakery Products. Based on Manufacturing Statistics Indonesia 2015, there were 639 registered bakery and cake product companies,⁴ including both medium and large scale manufactures. According to the Indonesian Bakery Association (APEBI), the domestic

¹ The Jakarta Post, *Bakeries Flourish as Middle Classes Adopt New Lifestyle*, 1 July 2013. Available at: <http://www.thejakartapost.com/news/2013/07/01/bakeries-flourish-middle-classes-adopt-new-lifestyle.html>

²Liputan 6, *Omzet Industri Roti di Atas 10%*, 23 October 2014. Available at: <http://bisnis.liputan6.com/read/2123566/pertumbuhan-omzet-industri-roti-di-atas-10>

³The Jakarta Post, *Bakeries Flourish as Middle Classes Adopt New Lifestyle*. 1 July 2013. Available at: <http://www.thejakartapost.com/news/2013/07/01/bakeries-flourish-middle-classes-adopt-new-lifestyle.html>

⁵ Trimegah Securities, Nippon Indosari Corpindo: Company Focus, 7 September 2015. Available at: http://www.trimegah.com/data/files/trimegah_cf_20150907_roti_pioneer_in_the_mass_produced_bread_industry_1.pdf

bread market is dominated by small, home-based producers (68%), followed by mass-produced bread (20%) and artisanal/boutique bakeries (12%)⁵.

**Table 1: Table of Quantities and Values of Goods Produced by Items (2012-2015)
KBLI Code: 10710 Manufactures of Bakery and Cake Products (latest data available)**

2012	Dried Bread	White Bread	Sweetened Bread	Sweet Biscuits	Sponge cakes	Other Bakery Products
Quantity (Kg)	2 313 893	1 068 730	47 825 638	168 915 565	262 559	63 616
Total Value (Rp 000)	60 273516	6 324 606	32 681 387	2 512 865 889	4 811 976	541 376
2015	Dried Bread	White Bread	Sweetened Bread	Sweet Biscuits	Sponge cakes	Other Bakery Products
Quantity (Kg)	2,691,861	2 986 671	10 563 630	91 018 066	247 440	68 083 098
Total Value (Rp 000)	56 848 659	3 320 475	40 246 975	2 126 230 098	5 876 120	1 935 185 229

Sources: "Manufacturing Industrial Statistics 2012", and "Manufacturing Industrial Statistics 2015", BPS – Statistics Indonesia.

According to USDA Gain Report 2019, Indonesia is expected to import up to 11.3 million tonnes wheat in 2019-2020. Most of the wheat will be imported from Australia with the largest market share (31%), followed by Ukraine (21%), Canada (16%), Russia (14%), the United States (10%), and Ukraine (4%). It has to be noted that Indonesia's 28 flour mills have the capacity to produce up to 11.8 million tons wheat flour per annum, which in 2018 operated at 80% capacity.⁶

According to GAIN Report, in 2016 Indonesia imported breakfast cereals and pancake mix worth USD 28.52million from Malaysia (55.18%), China (15.10%) the Philippines (13.76%), and, while imported, bakery dough worth USD 9.43 million from Thailand (28.90%) Malaysia (40.52%), Singapore (17.81%, Australia (13.65%), Germany (13.63%) Indonesian's love for cheese is reflected in Table 2 which is based on Statistics Indonesia's report which shows the cheese import value - as basic food ingredient - in 2018 at USD 103 million, in comparison with an import value of USD 84 million in 2017. It is also worth noting that the import of

⁵ Trimegah Securities, Nippon Indosari Corpindo: Company Focus, 7 September 2015. Available at: http://www.trimegah.com/data/files/trimegah_cf_20150907_roti_pioneer_in_the_mass_produced_bread_industry_1.pdf

⁶ Chris Lyddon, *Focus in Indonesia*, 6 October 2015. Available at: <http://www.world-grain.com/Departments/Country-Focus/Country-Focus-Home/Indonesia-2015.aspx>

flavoured/coloured Sugar (excl. maltose) fructose 32% increased to USD 931,277 in 2 018 from USD 704,980 in 2017. Most of the flavoured/coloured sugar imported is coming from Singapore.⁷

Table 2: Some Basic Food Ingredients Import Volume and Value in Indonesia (2017-2018)

Ingredients	Industry Type	2017		2018	
		Volume (Kg)	Value (US\$)	Volume (Kg)	Value (US\$)
Whey (in powder)	B, S, Bv	104,440,111	147,645,526	125,027,752	153,434,491
Buttermilk	B, S	6 241 700	13 858 074	6 818 611	13 421 686
Butter	B, S	16 182 803	94 978 015	15 430 695	98 386 386
Anhydrous butter fat	B, S	6 357 743	38 171 879	7 139 078	47 595 018
Cheese (excl. Fresh and Blueveined)	B, S	18,011,967	84,272,351	21,797,165	103,051,171
Non-dairy creamer	B, S, Bv	67 050 621	114 921 858	87 104 453	143 269 118
Baking powder	B, S	4 665 843	16 135 950	16 135 950	15 779 716
Almonds in shelled / shelled	B	1,396,535	10,354,501	2,166,563	13,954,239
Flavoured/Coloured Sugar (excl. Maltose) Fructose 50%	B, S, Bv	143,632	704 980	166,211	931,277
Colouring Matter Suitable for Use in Food/ Drinks Industries	B, S, Bv	140,837	5,252,905	197,945	7,293,330

⁷ Statistics Indonesia, *Statistik Perdagangan Luar Negeri Indonesia 2018*, Publication No. 06120.1905 .

Sources: Foreign Trade Statistical Bulletin Imports 2017 and 2018, BPS – Statistics Indonesia. (*Type of industry using the ingredient: B – Bakery, S – Snack & Confectionery, Bv – Beverage.)

Most of the basic food ingredients for bakery products, snacks, confectionery and beverages are imported. As reported by GAIN Report, on average the entire bakery industry in Indonesia uses around 70% imported ingredients and 30% local ingredients⁸, these numbers are also corroborated by various current players in the industry. Table 3 below shows the value and net weight of imported commodities by HS Code of some of bakery ingredients in Indonesia by 2018.

Table 3: Import by HS Commodities Code of Bakery Ingredients Products in December 2018

HS Code	Commodity Description	Net Weight (Kg)	Value C.I.F (US\$)
1901201000	Mixes & doughs of flour, groats, meal, starch/malt extract, not containing cocoa	194 958	517 806
1901202000	Mixes & doughs of flour, groats, meal, starch/malt extract, containing cocoa	194 958	194 958
1704909900	Other sugar confectionery, not containing cocoa, soft, containing gelatine	5 342 350	15 947 782
2007100000	Jams, fruit jellies, marmalades, fruit/nut, homogenised preparation	747 936	2 126 217
2007991000	Fruit pastes other than of mango, pineapples, or strawberries	547 744	690 043
2007999000	Fruit pastes of mango, pineapples, or strawberries	8 617 907	13 941 233
2106909800	Other flavouring preparations	9 673 696	51 908 690
2008601000	Cherries, containing added sugar/other sweetening matter/ spirit otherwise preparation	1 584 609	4 526 665
2008999000	Cherries Otherwise prepared or preserved, not added sugar/sweetening matter	36 400	182 095

⁸Pekerti. S & Slette J, Bakery Products Ingredients, 2010 Report, *USDA Foreign Agricultural Service*, p.2.

Source: Foreign Trade Statistical Bulletin Imports December 2018, BPS – Statistics Indonesia, Publication Number: 06120.1905 .

2.2. Trend Analysis

Food services in Indonesia are concentrated in Greater Jakarta and Bali due to the higher average number of population and tourists. According to Euromonitor, the sales forecast for bread, cakes, and pastries in 2019 may reach up to 688,000 tonnes. Consumption of baked products grew from 1.1 million tons in 2010 to 1.75 million tons in 2014.⁹ APEBI was expecting that Indonesian bakery to surge by grow by 15% to IDR 23 trillion. Rising demand may boost sales at companies, including the biggest industrial producer of bread, PT Nippon Indosari Corpindo which has 90% market share.¹⁰

The consumption per capita of bread, cakes, and pastries jumped almost 60% between 2016-2018, as sometimes the consumers get bored eating rice and other regular Indonesian dishes. Therefore, baked goods are often easier to eat compared to noodles or steamed rice at home.¹¹

Table 4: Bakery products consumption per annum per capita

	Unit	Year		Evolution
		2016	2018	
Bread	Pieces	14.25	26.78	+87.96%
Sweet bread, other bread	Pieces	43.94	57.36	+30.53%
Cookies, biscuit, wafer	kg	16.28	25.74	+58.15%

Source: Compiled by EIBN BPS Indonesia, Consumption Expenditure of Population of Indonesia reports

Although Indonesians have begun to consume bakery products as a main meal, most of them consume bakery products as a snack or breakfast. Shape and texture of breads in Indonesia and Europe are different, European breads taste rather plain with heavier texture, as the breads

⁹ Business World Online, *More Indonesians Favoring Bread over Rice*, 21 May 2015. Available at: <http://www.bworldonline.com/content.php?section=Economy&title=more-indonesians-favoring-bread-over-rice&id=108381>

¹⁰ Trimegah Securities, *Nippon Indosari Corpindo: Company Focus*, 7 September 2015. Available at: http://www.trimegah.com/data/files/trimegah_cf_20150907_roti_pioneer_in_the_mass_produced_bread_industry_1.pdf

¹¹ Rusmana. Y & Listiyorini E, *Bread Trumping Rice on Menus Sparks Indonesia Wheat-Buying Surge*. Bloomberg, May 21 2015. Available at: <http://www.bloomberg.com/news/articles/2015-05-20/bread-trumping-rice-makes-indonesia-top-wheat-buyer-after-egypt>

are usually eaten with soup or slices of meat, while Indonesians prefer sweet, lighter, and soft-textured breads.

Regarding the bakery trend in 2016, Indonesian consumers continue to prefer baked goods with soft and sweet texture. However, the trend in the bakery industry is actually more focused towards the taste instead of the shape and texture. In 2016, trends show that fruits fillings are preferred by Indonesian consumers, especially imported fruits such as cherries and berries. Consumers also show interest for a combination of tastes, such as pineapple jam filling and almond topping.

Indonesian bread is steadily going through an evolution. A couple of years ago, Indonesian breads were only available in simple spherical or oval shapes, with hard textures and without coatings. After the emergence of bakery industry, Indonesian breads began to be produced in various shapes and soft texture as well as coated with egg yolk, margarine, or simple syrup.¹²

This sector is becoming resilient to the changing pattern of consumption, since artisanal bakeries are constantly widening markets through retail bakery outlets in shopping malls and department stores. Both Euromonitor and Report Linker also mentioned that home-made style products are gaining greater preference in cakes, pastries, breads, rolls, and bakery ingredients; as people continue to perceive that home-style baked goods are fresher than others.

Indonesia has a changing pattern of preference in pastries. Macaroons and muffins were the leading sweet pastry items in the early to the mid of 2015.¹³ However, macaroons are difficult to make on a large scale as almonds, its main raw material, are available in limited quantities and also expensive due to the fact that they have to be imported. Currently, there is a revival of traditional cakes such as “*kue cubit*” (literally means “pinch cake”, because you have to pinch it in order to eat the cake) with a taste almost resembling pancakes (although *kue cubit* does not contain milk). The new trend of *kue cubit* has meant sellers are becoming creative with flavours and toppings such as green tea, blueberry, strawberry, and even bubble-gum. The cronut, the fusion of croissant and donut, is also gaining more attention from Indonesian consumers after it was introduced and served in several large-scale retail bakery outlets like J.Co and Harvest. Choux, or filled pastries, enters and obtains their share of the Indonesian pastry market; there are several outlets scattered in many places in big cities selling choux with various fillings, including durian, pandan, sarikaya, and red bean. Other small-size pastries like éclairs and truffles are projected to have potential to lead the pastry market as well.¹⁴

In recent years, Western, Japanese, and Korean culture has been influencing Southeast Asian cultures. The absorption process of consumptive culture is facilitated by massive global media invasion such as movies, books, and the internet (through booming social media, namely Instagram). Indonesians also show interest in cakes and pastries that are not conventionally

¹²Kulinologi, *Tren dan Arah Pengembangan Produk Roti*. Available at: <http://kulinologi.co.id/baru/index1.php?id=783>

¹³ Devi Setya Lestari, *Pernah Eksis, Apa Kabar Macaron Sekarang?*, 15 December 2015. Available at: <http://lifestyle.okezone.com/read/2015/12/14/298/1267179/pernah-eksis-apa-kabar-macaron-sekarang>

¹⁴Pakar Roti, *Exotic Food Kuliner Sehat Prediksi Trend 2015*, 30 January 2015. Available at: <http://pakaroti.com/post/trend-update/news/exotic-food-kuliner-sehat-prediksi-trend-2015>

shaped and served, for example cake pops and cakes served in glass jars. A few well-known local bakeries such as Le Soho Cupcakes and small online shops have begun to sell these kind of products.¹⁵

Although the middle-to-upper income consumers are eager to try different flavours, Indonesian's preference for comfort flavours has not decreased at all. Chocolate and cheese flavours, both separately and fusion, remain customer favourites. It is worth noting that cheese flavour in Indonesia tastes different than cheese flavours that are common in Europe, in the sense that it usually tastes sweet rather than salty. Case in point is that Cheddar is the most well-known cheese in Indonesia, followed by Gouda.

Alongside pastries and bread, currently, Indonesian customers also tend to prefer outlets that are also cafes. With a rising middle class, more and more people are visit cafes. A few patisseries and bakeries have included tea, coffee, and other drinks on the menu; such as The Harvest, Bakerzin, PAUL, and Éric Kayser. These kind of bakeries are seen as more stylish than those only serving bread and pastries, thus it could attract more middle to high income customers.

¹⁵Bisnis UKM, *Bisnis Cake in Jar rasanya legit labanya menggigit*, 6 August 2013. Available at: <http://bisnisukm.com/bisnis-cake-in-jar-rasanya-legit-labanya-menggigit.html>

2.3. Consumer Behaviour towards Bakery Ingredients Products

The trend of bakery industry in Indonesia is continuously growing followed by Indonesians changing lifestyle along with the development of income improvement, urbanization, as well as Westernization. Baked products are gaining more appreciation, as people begin to appreciate this convenient and practical way to eat. Consumers of baked products in Indonesia are shifting their habits from eating bakery products as snacks to eating bakery products as meals; especially breakfast. Along with urbanisation in Indonesia, people have less time to eat breakfast, with some preferring to eat baked products as a substitute for rice.¹⁶

The overall spending per capita for bakery products almost tripled between over the last four years. In 2018, 20 USD per capita on bakery products were spent as compared to 7 USD in 2014 (Table X) with a 158% increase for bread products, 180% for cookies, and 156% for steam cakes.

Table 5: Bakery products spending per annum per capita 2014-2018

	2014	2015	2016	2017	2018
Bread (Dried, White, Sweetened)	48,932	188,816	81,172	98,592	126,360
Cookies	25,844	52,676	45,604	53,040	72,384
Boil or steam cakes	35,516	78104	67132	70668	90,948
Total IDR	110,292	219,596	193,908	222,300	289,692

Source: Compiled by EIBN, Pengeluaran konsumsi untuk Indonesia 2014 - 2018

Market survey in 2012 by Expert Bakery Magazine stated in the Bakery Entrepreneur Seminar, found that 30% percent of middle class consumers in Jakarta, Bekasi, Bogor, and South Tangerang prefer to purchase their baked goods at BreadTalk, the retail bakery store, their second choice are at chain minimarket such as Indomaret and Alfamart. Holland Bakery, the chain bakery store which sells both traditional and modern baked products comes at the third place to buy baked goods. This survey also shows that there are many consumers who buy bakery products between 2pm to 6pm, which indicates that Indonesian consumers do not only eat bakery products for breakfast, but also as an interlude between lunch and dinner.¹⁷ In 2014, Report Linker reported that most of Indonesians purchase bakery products from convenient

¹⁶Kulinologi, *Tren dan Arah Pengembangan Produk Roti*. Available at: <http://kulinologi.co.id/baru/index1.php?id=783>

¹⁷ Bareca, *BCC Presents Seminar Bakery Entrepreneur: Harnessing Business Opportunities Bakery & His Management Tips*, 1 March 2013. Available at: <http://www.bakerymagazine.com/en/2013/03/01/bcc-hadirkan-seminar-bakery-entrepreneur-memanfaatkan-peluang-usaha-bakery-kiat-manajemennya/>

store, since there is a wide presence of convenient stores available in urban areas, some of which are open for 24 hours per day.¹⁸

Each consumer segment in Indonesia also have their own preferences for bakery products; Western bread and pastries are preferred by high-end consumers; Japanese and Asian bread and pastries for upper-middle income consumers; and local sweet breads and white breads are still largely consumed by lower-middle income consumers. The lower-middle income sector in Indonesia, which represent the majority of population, prefer sliced white bread and sweet bread rolls filled with chocolate, cheese, and other fillings such as banana. One of the examples of bakery ingredient mix that is available in most of convenient stores is Pondan mix. Their products are becoming the solution for customer from lower-middle income groups when they want to have a fancy cake for certain occasion, because these products are easy to bake and affordable. Their best-selling cake mix is Black Forest Cake mix.

There is a growing trend for wheat breads as well as pastries and donuts with nuts, fruits, and almonds. Upper-middle income consumer, which includes expatriates, also show preferences for other kinds of products such as cheesecakes, muffins, brownies, fruitcakes, pies, and other Western-styled baked goods.¹⁹ For cake decorations and icing, customers prefer to purchase ready-to-use fondant and butter cream rather than buying the raw materials.

During Ramadan, the one-month period when the Indonesian Muslim majority are fasting, it is said to be a challenging month for bakery manufacturers. Indonesians would prefer to eat rice or noodle as their meals for their pre-dawn meal and for breaking the fast in the evening. As projected by the Indonesian Association of Bakery Producers (APEBI), during the start of Ramadan 2015 bakery sales decreased by 40% and increased again as much as 20% in the second and third week of Ramadan, especially for bread and traditional cakes. Cakes and cookies however do increase during Ramadan, since these products are most likely served for guests during the Eid al-Fitr holiday.²⁰

2.4. Market Structure

Most Indonesian baking ingredients are imported from foreign countries and there are more than fifteen major importers and distributors of bakery ingredients in Indonesia. Those importers usually have their own container trucks and storage facilities for their own use. Those importers distribute their products to manufacturers or sub-distributors in major cities. If their end consumers are the large-scale and chain retail bakery outlets, the importers will deliver it directly. Agents or sub-distributors would distribute and sell products to smaller agents, bakery ingredients shops, and smaller manufacturers. From those smaller agents and bakery

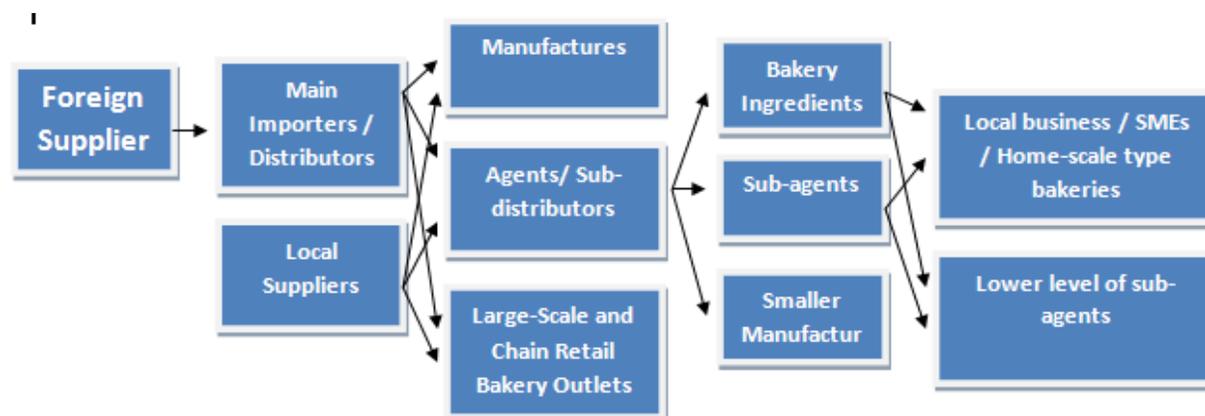
¹⁸ Report Linker, *Market Focus: Trends and Developments in the Bakery and Cereals Sector in Indonesia*, May 2014.

¹⁹ USDA GAIN Report, *Indonesia-Bakery Products Ingredient*, Op, cit. p. 8.

²⁰ Kulinologi Indonesia, *Industri Bakery Menyambut Ramadhan & Idul Fitri*. Available at: <http://kulinologi.co.id/acrobat/index1.php?view&id=952>

ingredients shops, the products might also distributed to local bakeries, small-medium enterprises, or to the lower level of sub-agents in small cities throughout the region.²¹

Figure 1: Market Structure in Indonesia



For bakery products, single packaged sweet breads, muffins, donut, cakes, are all delivered by each operator to modern retailers, individual stores, and wet markets. These products can also be sold by street vendors, but mostly only for limited types of bread.

Players in the bakery industry are numerous and diverse. It consists of individual stores, franchise stores, retail bakeries, and other outlets such as cafés, restaurants, street vendors, and catering services. The bakery producers are explained in detail below:

- Industrial bakery businesses that produce and dominate the bakery products market; namely Sari Roti, Yamasaki, Shereen Bakery, and Swanish Bakery.
- Retail-sized bakery business; it was estimated that there are around 1,000–2,000 retail bakery stores in all areas within Indonesia; including brands such as Holland Bakery, Delicious, Bread Talk, Kartika Sari, Tous Les Jours, and PAUL Bakery.
- Small and Medium (traditional) bakery businesses that only cater for the local area (around 3 to 5 retail branches) and usually only produce up to 100.000 breads a day, such as Lauw bakeries.

Meanwhile, distribution of baked goods in Indonesia commonly takes place through several channels as explained below:

- Modern retail markets; for instance supermarkets, hypermarkets, department stores, and convenience stores. These markets usually sell bakery products from various brands, but some of them also have in-store bakeries such as Carrefour, Giant, and Superindo.
- A retail bakery which consists of traditional and modern bakeries; the traditional retail bakery is already explained in medium-sized bakery business above, with Holland Bakery as the market leader. Besides this, there is a current trend for modern bakeries in Indonesia, which

²¹ USDA GAIN Report, *Indonesia-Bakery Products Ingredient*. 24 November 2010.

adopt a modern 'boutique' concept; for example, BreadTalk, the market leader for modern retail bakery which offers soft-textured Asian style breads and pastries. Since BreadTalk entered the market and obtained a large market share, other Asian bakeries with similar concepts were then inspired to establish their presence in the country. Examples include; Tous les Jours, a South Korean company; and Bread Life, the Japanese-styled retail bakery.

- Small and traditional channels; such as the street carts or vendors, which deliver bread from house to house. This method is still used by small to medium bakery producers, for example Lauw bakeries.
- Other channels (particularly cafés and restaurants); Starbucks, Coffee Bean and Tea Leaf, Delifrance, McCafé, and other retail and independent cafe and restaurants. Bakery products are displayed on a glass storage shelf and served as a companion to a cup of coffee or tea.²²

It is worth noting that the Indonesian market has its own specific taste and preference in choosing baked products. Modern retail stores like Carrefour and Alfamart have their own factories and brands already, so foreign fresh baked products may have more difficulty breaking into the Indonesian market. In order to develop a bakery business in Indonesia, an understanding of the dynamic local market taste and trends is required.²³

Doing business in Indonesia is known to be organised along traditional lines, with a full spectrum of agents, distributors, and other intermediaries represented in the economy. For retail sectors, wholesale and hypermarket outlets procure from domestic suppliers or directly from manufacturers and importers. Suppliers of small retail outlets deliver the products to the retailer's distribution centre. Such partners or companies have established networks with defined geographies and reach.

Before doing an export activity, it is essential to choose local partners or importers, as leading importers will be able to discuss the feasibility of entering the market in the first instance, as well as helping to create a development plan for the product over time. The local partners also will be the main player that register the imported products with the authorities.

²² Stanton, Emms&Sia, *Characteristics of the Market for Bakery Ingredients in Indonesia*, Canada Agri-Food Trade Commissioner, March 2009.

²³ Sindonews, *Pabrik Roti Jepang Sulit Tembus Pasar Indonesia*. 23rd October 2014. Available at: <http://www.ekbis.sindonews.com/read/914477/34/pabrik-roti-jepang-sulit-tembus-pasar-indonesia-1414051588>

III. Key Players in Bakery Ingredients Sector

It should be noted that most ingredients in Indonesia, especially for special baked goods, cannot be substituted with local products or are unavailable in regional market, and have to be imported from abroad. For example, varieties of cheese like Mozzarella and Gouda are imported from New Zealand, Australia, Argentina and the United States; almond products are imported mainly from United States and Australia; and premixes are imported mostly from Belgium. Common products available in Asia such as raisins, sunflower seeds, and non-dairy creamer are dominated by cheaper Chinese products, since Indonesian consumers are price-sensitive. For other fresh and locally available products, such as fresh milk and margarine, can be obtained from local producers.²⁴

3.1. Local Indonesian Companies

- PT Pondan Pangan Makmur Indonesia

Pondan Pangan Makmur Indonesia (PPMI), is one of the leading bakery ingredients producers in Indonesia. Pondan has three varieties of product; dessert mixes (ice cream, cake, cookie, pudding, jelly, and other mixes), seasoned flour (under the Unifood brand), cake and bread ingredients (premixes, bread improver, cake/bread fillings and glazing, under the Gusto brand). Approximately 60% of Pondan raw materials are imported such as emulsifier and stabiliser. Pondan is the most famous brand in the retail market. PPMI products are distributed all over the Indonesian archipelago through its distributors in each region and most of their consumers come from middle to low income groups. The biggest consumers of PPMI are their corporate consumers, such as McDonald's, Pizza Hut, Bakmi Naga, H.E.M.A. Dutch Resto, and Kenny Roger's restaurant. It has to be noted that 20% of Pondan products are exported especially its chiffon cake mix to the Netherlands and its pancake mix to Hong Kong.

- PT Gandum Mas Kencana

Gandum Mas Kencana (GMK) is a privately owned company established in 1985 located in Tangerang, Indonesia. Originally established to produce baking mixes for households, Gandum Mas Kencana has grown to be a major player in supplying the food service industry, especially in products related to chocolate. Nowadays, Gandum Mas Kencana is exporting to most countries in Asia, Africa, and Europe.

There are three brands from GMK. The first one is Haan, offering various kinds of pudding mix, flan mix, specialised icing sugar, and other bakery mixes. Haan also produces different products such as thickening agent, dough conditioner, and active baking powder for desserts, cake, and cookies. The second brand is Colatta, offering high cocoa content, manufactured with premium cocoa beans; compound, couverture, decoration, topping, and also filling application. Lastly,

²⁴ GAIN Report: USDA Foreign Agricultural Service, *Indonesia – Bakery Products Ingredients*, November 24 2010: Jakarta.

Gandum Mas Kencana also produces Bendico, chocolate powder made from the best natural and dark chocolate.

- PT Prambanan Kencana

As a major food and food ingredients importer and distributor, Prambanan Kencana also imports fondant products under the Fondx brand. Fondx can be used for birthday cakes, wedding cakes, cupcakes, and other decorations. Currently, Prambanan Kencana has built a cooperation with Calijava International (an American company) to jointly produce Fondx in Indonesia by importing raw materials from the United States. Thanks to Prambanan Kencana with its great business channels, Fondx has been distributed all over the Indonesian archipelago.²⁵ Prambanan Kencana also has around 27 principal brands in their portfolio. The company is segmented into three business units: Food service, Retail and Food Industry. Important corporate clients for each unit include AW, Breathtalk, Four Seasons (food service), AEON, Carrefour, Alfamart (retail) and Ajinomoto, Indofood, Nestlé (food industry)

- PD Hero

PD Hero is a supplying company of bakery ingredients which mainly distributes products with Bakels brands from Sweden. It distributes well-known products such as Bakels Pettinice RTR Plastic Icing.

- PT Sukanda Djaya

Sukanda Djaya was established in 1978 and has 5,000 products in their portfolio. It is the national leader in selling, marketing, and distributing refrigerated food products to the food service, retail, and wholesale market in Indonesia. Sukanda Djaya is an importer and distributor of refrigerated and dry items from Japan, Italy, USA, France, Australia, New Zealand, Norway, as well as a list of house brands produced by its parent company, PT Diamond Cold Storage. For the Indonesian market, Sukanda Djaya is the company that holds distribution chain of Cacao Barry (France) which provides variants products such as couverture, dark origin (St. Domingue), baking stick, chocolate drops, and others. Sukanda Djaya also produces local dairy milk where the 50% of the ingredients comes from imports. Thus, Sukanda Djaya has been entrusted exclusively for the distribution of many world renowned ingredients such as whipped cream (Roselle) and butter (Elle & Vire).

- PT Pandurasa Kharisma

Pandurasa Kharisma was established in 1992 with a focus in food service industry. It is a leading food and beverage distributor serving the institutional and retail sectors with a product portfolio of more than 40 international brands from the United States, Switzerland, France, Germany, Denmark, Australia, Singapore, and Malaysia. Their distribution channel features modern retail channels, hotels, restaurants, and cafés.

- PT Multisari Langgeng Jaya

²⁵ Bakery Magazine, *Exhibitors in Interfood*, 15 October 2013. Available at: <http://www.bakerymagazine.com/en/2013/10/15/peserta-pameran-di-interfood/>

Multisari Langgeng Jaya distributes a range of food products, beverages, and non-food products and was established in 1989. Multisari Langgeng Jaya distributes products for Marizafoods under the Mariza brand, with its main products being ice cream and yoghurt premix. In addition, Multisari Langgeng Jaya also distributes jam, coconut milk, black gelatin, topping jam, and flavoured syrup for ice cream with various flavours.

- PT Sangra Ratu Boga

Established in January 1989, Sangra Ratu Boga's activity is to engage in general trade, which includes import, export, as well as domestic and inter-island trade. Sangra Ratu Boga is appointed as the sole agent for the whole Indonesian territory by Gist Brocades N.V., the manufacturer of world's famous instant dry yeast, Fermipan.²⁶ Sangra Ratu Boga is also expanding into the premixes market; including ice cream premix and bread improver. One of their products is Prima Mix, for donuts and *bapao*. Conversely, Sangra Ratu Boga will also release a variety of sponge cake and muffins that will improve the performance of the company in becoming a distributor of baking products for household and home industries.

3.2. Foreign Companies

- PT Puratos Indonesia

PT Puratos Indonesia is a national company, a subsidiary of Puratos group which offers a full range of innovative products and application expertise for artisans, industry, retailers and food service customers in the bakery, patisserie, and chocolate sectors. Puratos head office is in Groot-Bijgaarden, near Brussels in Belgium. Through their long experience in bakery, they are able to design and manufacture every component of their products: bread improvers, bread mixes, and many other products.²⁷ Puratos clients include artisans, the foodservice industry and supermarkets. As a food distributor for Indonesian bakeries industry since 1994, Puratos has whole-grain products including cake mix, cake whole-grain tegral satin, and tegral satin whole-grain banana. In addition, they also provide improver for all types of bread (including frozen dough) and they also have chocolate product under Belcolade brand.²⁸

- PT Nippon Indosari Corpindo, Tbk

Nippon Indosari Corporindo is the largest producer of bread products since this company is controlling almost 90% market share of bread mass production in Indonesia. This company is the only bread company listed on the (Indonesia Stock Exchange) IDX with a market capitalization of IDR 7 trillion (USD 484 million).²⁹ Furthermore, Nippon Indosari Corpindo is the

²⁶ Bakery Magazine, *CreaNutrition, Oatwell Producer*, 12 March 2013. Available at: <http://www.bakerymagazine.com/en/category/ingredient/page/6/>

²⁷ Puratos, *Reliable Partners in Innovation*. Available at: <http://www.puratos.co.id/en/about-us/index.jsp>

²⁸ Bakery Magazine, *Traditional French Pastry Needs*, 10 June 2013. Available at: <http://www.bakerymagazine.com/en/category/ingredient/page/3/>

²⁹ PT Nippon Indosari Corpindo Tbk, Annual Report, 2018

first bread company in Indonesia that implements modern Japanese technology to manufacture hygienic and halal products. Its factories are located in the Jababeka Industrial area in Cikarang, Bekasi, and Pasuruan Industrial Area. In September 1996, the company launched its first bread products under the brand Sari Roti.³⁰ Afterwards, it launched its second brand in 2001 named Boti. The company distributes 56% of its products through modern market stores: hypermarkets, supermarkets, and minimarkets, while the rest of its distribution is through traditional distribution chain/agents.

- PT Zeelandia Indonesia

PT Zeelandia Indonesia was established in 1997 as cooperation between PT Prambanan Kencana and PT Zeelandia International (Netherlands). All products of Zeelandia Indonesia are under the supervision of Koninklijke Zeelandia Holland to retain high quality and customer satisfaction. Currently, customers of Zeelandia cover various industry segments such as bakery ingredients, bakery chains or in-store bakeries, the factory baking industry, wholesalers, direct selling, as well as also hotels and restaurants. One of the most popular Zeelandia range in Indonesia is their premix products; ranging from cake mix, cookie mix, donut mix, bread mix, as well as premix for filling, topping, and glazing. Nevertheless, Zeelandia also has some healthy products including typical European bread premixes; Multicereal D-25 and Baguette Mix 25-NZ.

3.3. Retail Outlet

- PT Hero Supermarket, Tbk (Giant, Giant Ekspres, Starmart, Hero)

Hero Supermarket's main activities are large format retailing and specialty operations. Large format retailing involves retailing food and non-food merchandise in large format outlets such as supermarkets and hypermarkets. Hero Supermarket also retails food and non-food merchandise in small format outlets through its specialty operations. Hero has their own bakery processing and develop their own in-store bakery concept. Four of its subsidiaries; Giant, Giant Ekspres, Starmart, and Hero have their own in-store bakery counters.

- PT Trans Retail Indonesia (Carrefour)

Carrefour in Indonesia is 100% owned by CT Corp. Along with the change of shareholders, the company changed its name from PT Carrefour Indonesia to PT Trans Retail Indonesia.³¹ Carrefour Indonesia opened its first unit in October 1998 and currently has more than 100 outlets, 4,000 suppliers in Indonesia, including 70% from local Small and Medium Enterprises (SMEs) and 90% local products. Carrefour has their own in-house bakery in each of their chain stores. Their bakery produces various baked goods and pastries such as cakes, fruit tartlets, breads, muffins, doughnuts, and cheesecakes.

- Kem Chicks

³⁰Bakery Magazine, *Traditional French Pastry Needs*, *Ibid*.

³¹ Carrefour, *Carrefour, Gerai Retail Pilihan Untuk Keluarga Indonesia*. Available at: <http://www.carrefour.co.id/id/shop/carrefour/>

Kem Chicks Supermarket provides an extensive range of imported products. Therefore, Kem Chicks is the best gourmet lifestyle supermarket that serves expatriates and upper-middle income customers through imported products, delightful ambiance and displays, with depth of knowledge of speciality foods and products.³² Kem Chicks has its own in-house bakery providing homemade fresh baked products, such as Raisin and Walnut Bread, Pecan Pie, and Pear Flan.

³² Pacific Place, *Directory: Kem Chicks*. Available at: <http://www.pacificplace.co.id/tenant/kem-chicks/>

IV. Regulation

By importing and exporting bakery products to Indonesia, every company has to meet the requirements or regulations in the destination country they want to trade with. The local regulations are based on the cultures and norms of the destination country. In Indonesia, the relevant policies that must be considered are discussed below.

4.1. Halal Law

With the biggest Muslim population in the world, the Indonesian government has to cater for halal diets. In Arabic, halal means permitted or lawful. Halal foods are those that are allowed under Islamic dietary guidelines, including restrictions on food preparation. For the time being, the regulation pertaining to halal products has been included in the Consumer Protection Act No. 8 of 1999, Law No. 69 of 1999 on labelling and advertising, and the Food Act No. 18 of 2012³³ on food. The current institution that issues halal certification is the Indonesian Council of Ulama (MUI). Based on the halal certification of MUI, companies can apply for MUI Halal logo at the National Agency of Drug and Food Control (BPOM), which they then can print on their products when approved.

In September 2014, the Indonesian government passed the Act Number 33 of 2014 on Halal Product Assurance (UU JPH), which stipulates that halal certification is mandatory for all food, beverage, drugs and cosmetics, as well as chemical, organic, and genetically modified products entering, being distributed and sold in Indonesia starting in 2019.

The government established a new institution called the Halal Product Guarantee Agency (BPJPH – *Badan Penyelenggara Jaminan Produk Halal*) to issue halal certificates. As of May 2019, despite the creation of the new institution, the mandatory halal certificate has not been implemented yet. Once formed, the BPJPH will assume the role currently fulfilled by the Indonesian Council of Ulama (MUI). Although halal certification will be issued by BPJPH, the process of verification of a product will be carried out by the Halal Inspection Institution (LPH – *Lembaga Pemeriksa Halal*). The BPJPH accredits LPH to check and verify whether the raw materials and manufacturing process are in accordance with the halal requirements. Such process may be carried out inside or outside the manufacturing facility. Once obtained, halal certification is valid for four years. As of May 2019 and prior to the full implementation of the mandatory halal certification, companies still follow the existing MUI halal certification procedures. Current halal certificates that have been given by MUI before this law came into force, shall remain valid until the end period of the issued halal certificate.

It should be noted that MUI recognise halal certificates issued by any approved halal certification body in Europe (see Table 4), such as Halal Quality Control in the Netherlands for products manufactured in Europe. To date, there are ten approved European halal certification bodies. However, LPPOM MUI might still ask for supporting document to clarify the critical points of certain certified products. As stated in the Animal Husbandry and Animal Health Act

No. 18 of 2009, all products that use animal ingredients and derivatives circulating in Indonesia, whether local or imported, shall bear the Halal certification if it abides by those guidelines.³⁴

Table 5: The Approved European Halal Certification Bodies³⁵

	European Certification Body	Country	Slaughtering	Processed Food	Flavouring
1	Halal Food Council of Europe (HFCE)	Belgium	•	•	•
2	The Grand Mosque of Paris	France	•	•	
3	The Muslim Religious Union in Poland (MRU)	Poland	•	•	
4	Halal Quality Control (HQC),	The Netherlands Denmark Germany Austria	•	•	•
5	Instituto Halal de Junta Islámica (Halal Institute of Spain)	Spain	•	•	
6	World Halal Authority (WHA)	Italy	•	•	
7	Total Quality Halal Correct (TQHC)	The Netherlands	•	•	•
8	Halal Control e.K.	Germany		•	•
9	The Muslim Food Board	United Kingdom		•	
10	Halal Feed and Food Inspection Authority (HFFIA)	The Netherlands		•	•

Source: LPPOM MUI

4.2. Import Regulation³⁶

The most difficult part of importation is fulfilling all requirements to import package food products for retail through the from the Indonesia's National Agency of Drug and Food Control (BPOM – *Badan Pengawas Obat dan Makanan*). That being said, some products require additional approvals from other government institutions. In the case of importation of horticulture and animal-based ingredients, an import permit from the Ministry of Trade and an import recommendation from the Ministry of Agriculture is required after getting the approval from BPOM. Imports of meat, poultry, dairy, and horticulture products can be subject to shifting regulation and requirements of several ministries and government institutions. Food additives require approval from the head of BPOM and special labelling requirements may apply.

All imported products in Indonesia must be registered with BPOM. Importers, distributors or retailers dealing in unregistered products are in breach of the regulations and subject to penalty including the confiscation of products. Upon approval, a registration number is issued (ML

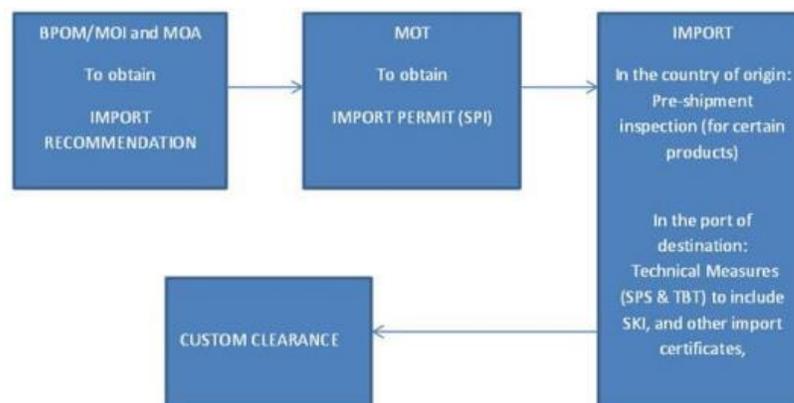
³⁴ EIBN Food and Beverage Sector Report 2014

³⁵ Portal Penyedia Informasi Layanan Publik, *Sertifikat Halal - LPPOM MUI » Daftar Lembaga Sertifikasi Halal*, <<http://www.pubinfo.id/informasi-2643-sertifikat-halal-lppom-mui-%C2%BB-daftar-lembaga-sertifikasi-halal.html>>

³⁶ USDA, Food and Agricultural Import Regulations and Standards Report FAIRS Annual Country Report, 2019

number or import license for imported products; MD number for locally-manufactured products).³⁷

Figure 2: Indonesia: Import Procedure Flow Chart



Note:
 B POM: The National Agency for Drug and Food Control
 MOI: Ministry of Industry
 MOA: Ministry of Agriculture
 MOT: Ministry of Trade
 SKI: Entry Permit from B POM

Source: USDA Foreign Agricultural Service.³⁸

4.3. Tariff and Tax

Through the Regulation of The Ministry of Finance of the Republic of Indonesia number 132/PMK.010/2015 and 213/PMK.011/2011, the Indonesian government regulation on import duty imposes a 10% Value Added Tax (VAT) on imported products and an Import duty between 5-20% for the bakery sector such as wheat, products containing cocoa, breads, pastry, other food preparations, and similar products (see Table 6).

³⁷ *Indonesia's Consumer Sector: Tapping the Consumer Dollar in Food and Retail: Business Opportunities in F&B and Retail Industries*, International Expertise Singapore, Vol.13, November 2013, p. 20

³⁸ *Indonesia: Import Procedure Flow Chart, Food and Agricultural Import Regulations and Standards - Narrative*, USDA Foreign Agricultural Service.

Table 6: HS Code for Bakery Ingredients Products: Tariff, Import Duty, and Import Regulations

No	Name	HS Code	Description	BM (Import duty)	PPN (Value Added Tax)	Import Regulation
1	Custard Powder	19.01	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of --- other	5%	10%	221/PMK.011/2012
		1901.90.99.90				
2	Chocuisse/Soupe lesse	17.04	Sugar confectionery (including white chocolate), not containing cocoa.	20%	10%	6/PMK.010/2017
		1704.90.99.00	Other			
3	Jams	20.07	Jams, fruit jellies, marmalades, fruit or nut puree and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter.	5%	10%	221/PMK.011/2012
		2007.99.10.00	Fruit pastes other than of mangoes, pineapples or strawberries			
4	Glazes	21.06	Food preparations not elsewhere specified or included.	5%	10%	221/PMK.011/2012
		2106.90.98.00	Other flavouring preparations			
5	Candied Fruit	2006.00.00.00	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glaze or crystallised).	20%	10%	6/PMK.010/2017
6	Infused Fruit	20.08	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included.	5%	10%	221/PMK.011/2012
		2008.60.10.00	Containing added sugar or other sweetening matter or spirit			
		2008.99.90.00	Other			
7	Mixes	19.01	Mixes and doughs for the preparation of bakers' wares of heading 19.05:	10%	10%	SKK NOM, Surat Ket. Impor
		1901201000	Of flour, groats, meal, starch or malt extract, not containing cocoa			
		1901202000	Of flour, groats, meal, starch or malt extract, containing cocoa	5%	10%	
		1901203000	Other, not containing cocoa			

		1901204000	Other, containing cocoa			
8	Wheat or Meslin Flour	11010010	Wheat Flour			
		1101002000	Meslin Flour	5%	10%	221/PMK.011/2012
9	Cereal flours other than of wheat or meslin.	1102200000	Maize (Corn) Flour	5%	10%	221/PMK.011/2012
		1102901000	Rice Flour	5%	10%	221/PMK.011/2012
10	Food Flavoring	1702903000	Flavoured or Coloured Sugar (excluding Maltose)	5%	10%	PMK-221/PMK.011/2012

Source: Indonesia National Single Window (INSW) – HS Code Information for Import duty, Tariff, Tax, and Import and Export Regulation.

4.4. Labelling

Food product labelling is based on Food Law Number 18/2012, which amends Regulation No.7/1996. According to this regulation, all local and foreign companies that produce or import goods and distribute within Indonesia are obligated to attach labels written in Bahasa Indonesia, Arabic numeric, and Roman text. As of 1st January 2013, the labelling regulation requires imported products to have such labels before entering the Indonesian Customs Area.³⁹ The label itself should at least contain information concerning the name of the product, name and address of the local importer, the list of material used, the expired date, net weight, and date production code.⁴⁰

To enforce such law, BPOM had issued circular letter on 1st September 2010 to all Indonesian food distributors and importers mandating the use of Indonesian language on the label for all imported products distributed for retail purposes. However, there is an exception for terminology which cannot be translated into Bahasa Indonesia.⁴¹ For raw materials, product labels are still allowed to use the native language.⁴² BPOM also regulates the labelling requirements for processed foods through BPOM Regulation Number No. 12/2016 regulates labelling replacing Regulation No. HK 03.1.5.12.11.09955 of 2011.⁴³

³⁹ EIBN Food and Beverage Sector Report 2014, Op. Cit

⁴⁰ Global Expandia, *Food and Agricultural Product Labelling in Indonesia*. Available at: <http://www.globalexandia.com/blog/food-agricultural-product-labelling-indonesia/>

⁴¹ *Indonesia: Import Procedure Flow Chart, Food and Agricultural Import Regulations and Standards – Narrative 2015*, USDA Foreign Agricultural Service.

⁴² EIBN Food and Beverage Sector Report 2014, Op. Cit

⁴³ GAIN Report USDA, *Food and Agricultural Import Regulation and Standards - Narrative*, p. 7.

4.5. Food-Related Law

The Government of Indonesia consistently prioritises domestic food production over imports to meet demand. Other significant legislation concerning food related law BPOM Regulation No.21/2016 on Food Categories. BPOM introduced this regulation as the standard reference for the registration of food and beverages; however it does not cover all food categories in Indonesia. It also divides food into those using foreign brands (ML) and those using local brands (MD) in their registration. This ML/MD number has to be displayed on the packaging.

Regulation Number 33/2012 from Ministry of Health stipulated that food additive production, importation and distribution require a license from the Head of BPOM. The regulation also lists the materials which are prohibited and permitted to be distributed in Indonesia. The BPOM Regulation Number 4 to 25 /2013 and 36 to 38/2013 stipulates the maximum limits of the use of food additives. The type and maximum limits of the sweetener use is stipulated in BPOM Regulation Number 4/2014.⁴⁴ In 2016 BPOM issued several regulations regarding food additives:

- Regulation Number 22/2016 explains requirements for flavours
- Regulation Number 23/2016 on the use of “without food additive”
- Regulation Number 10/2016 on the use of enzymes
- Regulation Number 8/2016 on the food additive compounds

4.6. Indonesian National Standard (SNI)

Certain products for bakery ingredients are required to comply with SNI which is regulated by BSN (National Standardisation Agency). Those products include wheat flour, fruit jam, rice flour, tapioca flour, fruit puree, shortening ingredients and cacao based products (butter, mess, powder, and compound). Meanwhile for baked goods, there are some products such as biscuits, sweet breads, and white bread which are also required to comply with SNI.⁴⁵ To obtain certification, the company has to submit documents to Product Certification Bodies (LS-PRO) that have been accredited by National Accreditation Committee (KAN). A list of accredited LS-PRO can be found at KAN website. In choosing the LS-PRO, the company should also note the SNI category which the product belongs to.

⁴⁴ FAIRS Report USDA, *Ibid*, p. 5.

⁴⁵ *SNI List (67-04 Food and Beverage)* National Standardisation Body (BSN). Available at: http://sisni.bsn.go.id/?/sni_main/sni/index_snipspt/878

4.7. Challenges

4.7.1. Regulation Challenges

As stated before, bakery and bakery ingredient products need to comply with certain regulations and law such as SNI, Halal Law Certification, and Labelling. The list of regulations above are becoming the major challenges for the importer, as it required a lengthy process and money to get it issued.

According to the Vice President of The Indonesian Food & Beverage Association (GAPMMI), food regulations in Indonesia keep on changing from time to time.⁴⁶ Even the law for halal certification in 2014 has not been explained clearly by the Indonesian House of Representatives (DPR-RI).

4.7.2. Locally Specified Taste

To adapt with Indonesian market, foreign and local companies need to understand the trends and behaviours of consumers in Indonesia. Indonesia has its own specified taste preference for bakery goods and bakery ingredients. In order to penetrate the market, the flavours of baked products need to comply with local tastes.

For example, most of Indonesian people especially from lower-middle income groups choose chocolate flavours over other variants. Meanwhile, middle-high income groups choose a variety of toppings and fillings such as fruits, meat, and cheese.

These preferences and trends can change from time to time. For example, when Breadtalk as the first retail which brings the Asian styled sweet bread open to Indonesia, most people visited to taste their products which has a softer texture and wider range of flavours than the other traditional breads. Recently, Indonesia also has the Japanese company Bread Life and Tous Les Jours from South Korea, which sell a similar kind of product.⁴⁷

⁴⁶ CNN Indonesia, *Rumitnya Peraturan Makanan di Negeri Ini (Food Regulations in This Country Deemed to be Too Complicated)*, 7 October 2014. Available at: <http://www.cnnindonesia.com/gaya-hidup/20141007125559-262-5553/rumitnya-peraturan-makanan-di-negeri-ini/>

⁴⁷ Kulinologi, *Tren Roti di Indonesia (Bakery Trend in Indonesia)*. Available at: <http://kulinologi.co.id/baru/index1.php?id=783>

V. Conclusion

In conclusion, Bakery ingredients are a very promising sector for foreign investment, as the market has been constantly growing in recent years. As the bakery sector develops due to the rising demands of consumers, the bakery ingredients sector is expected to grow as well. Most bakery ingredients used for the bakery industry are imported, which open the opportunity for foreign companies to enter the market.

It is noteworthy that the bakery ingredients sector is highly dependent on consumers' preferences. Consumers' taste affects which bakery ingredients should be used in bread-making; such as baking emulsifier, filling, topping, and flavouring. Each consumer segment has their own preference of flavours. Despite the demand for fillings, toppings, and flavourings are fluctuate, but the demand for yeast, wheat flour, and premix tends to be consistent.

Moreover, it should be highlighted that there are several regulations that must be complied with, such as Halal Law Certification, food safety, labelling, and other food-related regulations. Compliance to those rules is necessary to enter Indonesian market. There are some challenges which need to be addressed in the industry, such as regulation challenges and the local taste preference. These two challenges are the most common to be found in the bread and bread ingredients market.

Relevant Contacts

Associations and Related Institutions

Indonesian Food and Beverage Producers Association (GAPMMI)

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Jakarta Pusat 10340
Tel: (+6221) 70322626
Email: gapmmi@cbn.net.id
Website: www.gapmmi.or.id

National Agency of Food & Drug Control (BPOM)

Street: Jl. Percetakan Negara No.23
Jakarta 10560 Indonesia
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Email: ulpk@pom.go.id
Website: www.pom.go.id

Directorate General of Customs & Excise (BEA CUKAI)

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Exhibition and Trade Fairs

- Surabaya, Indonesia 20-23 June, EAST FOOD Indonesia 2019

<http://eastfoodindonesia.com/>

The 8th International Exhibition on Food and Beverage Products, Ingredients, Technology and Services will return from 20-23 June 2019 at Grand City Surabaya. Pre-register your visit to EAST FOOD Indonesia 2019 via the official registration portal at <https://eastfoodindonesia.com/online/>

- Jakarta, Indonesia, 13-16 November, SIAL Interfood 2018 (last edition)

<http://sialinterfood.com/>

One of the biggest Food and Beverage expositions in Asia that held its last edition in November 2018. at Jakarta International Expo. It is the biggest opportunity for the participant to showcase your products to a curious and professional audience and meet potential business partners live. This event will also provide you with the unique opportunity to experience the market on-site and understand it's potential.

- Jakarta, Indonesia, 24-27 July, Food & Hotel Indonesia 2019 (FHI 2019)

<http://foodhotelindonesia.com/>

One of the largest international food and hospitality trade exhibition and conference, will return for its 15th edition from 24-27 July 2019 at the Jakarta International Expo. It is a high quality platform for trade attendees to network and source for the latest range of products, technologies and innovative solutions available in the global marketplace. Join leading industry experts and thought leaders from around the world as they share their wealth of knowledge and experience. With an exciting line-up of programmes, delegates and speakers alike will get to discuss the current issues, trends and developments impacting the food and hospitality industries today. Pre-register your space to FHI2019 via the official registration portal at <http://foodhotelindonesia.com/exhibiting/rates-space-application/>. Around 1.600 international exhibitors.

Abbreviations

ABI	Indonesia Bakery Association (Asosiasi Bakery Indonesia)
APEBI	Indonesian Bakery Entrepreneur Association (Asosiasi Pengusaha Bakery Indonesia)
API	Import Identification Number (Angka Pengenal Impor)
ASEAN	Association of South East Asian Nations
BKPM	Indonesian Investment Coordinating Board (Badan Koordinasi Penanaman Modal)
BPJH	Halal Products Guarantee Promoter Agency (Badan Penyelenggara Jaminan Produk Halal)
BPOM	The National Agency for Drugs and Food Control (Badan Pengawasan Obat dan Makanan)
BPS	Statistics Indonesia (Badan Pusat Statistik)
BSN	National Standardisation Agency (Badan Standarisasi Nasional)
GAPMMI	Indonesian Food and Beverages Entrepreneur Association (Gabungan Pengusaha Makanan dan Minuman Indonesia)
GDP	Gross Domestic Product
GMK	Gandum Mas Kencana
GMO	Genetically Modified Organisms
KAN	National Accreditation Committee (Komite Akreditasi Nasional)
LPH	Halal Inspection Institution (Lembaga Pemeriksa Halal)
LPPOM-MUI	Food, Drugs, and Cosmetics Assessment Agency of Indonesian Council of Ulama (Lembaga Pengkajian Pangan Obat-obatan dan Kosmetika Majelis Ulama Indonesia)
MUI	Indonesian Council of Ulama (Majelis Ulama Indonesia)
PPMI	Pondan Pangan Makmur Indonesia
PT	Limited Liability Company (Ltd. – Perseroan Terbatas)
VAT	Value Added Tax

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