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Indonesia

Livestock and Products

BSE Scare Provides Opportunity for U.S. Exports

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Report Highlights:

Like many countries around the world, Indonesia has been vigorously reviewing its animal feeding procedures with a view toward preventing the incidence of bovine spongiform encephalopathy (BSE). While Indonesia has imported a notable quantity of meat and bone meal (MBM) from Europe over the last several years, that feed went into the poultry and fisheries industries and therefore poses a negligible threat. Nevertheless, Indonesia is looking for alternative sources of MBM or MBM-alternatives and U.S. exporters of MBM, soybean meal, corn and fishmeal may find an export opportunity here.

Includes PSD changes: No
Includes Trade Matrix: No
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Summary

The risk of Bovine Spongiform Encephalopathy (BSE) appearing in Indonesia is remote, despite Indonesia's significant import of European meat and bone meal (MBM) over the last several years. The European MBM is fed primarily to poultry and fish, therefore, the threat of transference of BSE through MBM is negligible. The perceived threat caused by European MBM, however, could create new opportunities for U.S. MBM, soybean meal, corn and fishmeal producers to increase exports to Indonesia.

The following table outlines Indonesia's MBM imports over the last five years:

In metric tons

Exporter	1996	1997	1998	1999	2000/1
UK	5305	9099	1589	4853	5837
Italy	390	15735	4725	15055	32786
Other EU/2	502	836	1812	2542	1092
United States	101704	133695	54861	103293	37931
TOTAL	184994	251128	115703	201885	115074

/1Jan-May data only

/2 May include Austria, Belgium, Denmark, France, Greece, Ireland, The Netherlands, Spain

To put this data into perspective, several points are key:

- in Indonesia, roughly 90% of MBM imports are used for poultry production, not cattle production. The risk of transferring BSE from cattle to poultry through MBM is negligible. The remaining 10% is used primarily by the fisheries industry and, again, is not at risk for developing BSE.
- Indonesia stopped importing MBM from the EU -- with the exception of one certified Italian plant -- in mid-2000. Italian MBM was prohibited as of January 1, 2001.
- domestic beef production represents 95% of total consumption. Cattle are typically fed grasses and grains. Imports of beef are supplied by: Australia, New Zealand, the United States, Canada and Ireland. It should be noted that Indonesia stopped importing beef from Ireland as of January 1, 2001.

As the old adage says, when one door closes another opens. Substitution of U.S. MBM and U.S. soybean meal, corn or fishmeal for EU MBM as a protein source in animal feed actually presents an export opportunity for the United States. The United States is already the number one exporter of meat and bone meal to Indonesia and could capture more market share as a result of the BSE crisis in Europe. With respect to soybean meal, traders report that the dramatic increase in U.S. soybean meal sales to Indonesia in the past one and a half years (from zero to 139,000 metric tons in the October 1999-September 2000 marketing year) are due, in part, to trade diversion due to the BSE scare.