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Indonesia

Product Brief

Fish and Seafood

2005

Approved by:
Fred Kessel
U.S. Embassy, Indonesia

Prepared by:
Fahwani Y.Rangkuti

Report Highlights:
Indonesian consumers are starting to consider fish and seafood products as healthy alternative protein sources. Many restaurants are increasing the prominence of fish and seafood in their menus. However, imported fish and seafood product volume remains small, mostly intended for HRI and up-scale supermarket sectors. Opportunities exist for expanded U.S. sales.

Includes PSD Changes: No
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SECTION I. MARKET OVERVIEW

Indonesia, a wide-ranging archipelago country, is rich in productive marine fisheries. It comprises a sea area of 7.9 million square kilometers (including Exclusive Economic Zone) and a land area of 1.9 million square kilometers. In 2002, Indonesia was the sixth largest producer of fish and seafood products in the world after China, Peru, Japan, Chili, and United States. On average from 2000-2003 the production increased 5.21 percent annually from 5.11 million tons in 2000 to 5.95 million tons in 2003. Most of the production is ocean caught products.

In 1997, before the financial and economic crisis hit much of Asia, US edible fish and seafood product exports to Indonesia totaled $2.79 million (total U.S. agricultural and forestry products exports were $813 million). Beginning in late 1997, however, Indonesia experienced a dramatic collapse in its economy. U.S. edible fish and seafood product exports dropped to only $ 800,000 in 1998 (total U.S. agricultural and forestry products exports were nearly $495 million).

In 1999, the economy and in turn U.S. agricultural exports, began to recover. Flat growth in 1999 was followed by 4.8 percent GDP growth in 2000, 3.3 percent growth in 2001, 3.6 percent growth in 2002, 4.0 percent growth in 2003, and 5.1 percent in 2004. Consensus growth is forecast to hit 5.4 percent in 2005. U.S. agricultural exports rebounded to $571 million in 1999, $718 million in 2000, $949 million in 2001, $859 million in 2002, $1,039 in 2003 and in 2004 was $986 million. Edible fish and seafood product imports from the U.S. have followed a similar path, growing from $ 1.4 million in 1999, to $1.5 million in 2000, $ 3.1 million in 2001, $ 1.7 million in 2002, $ 2.1 million in 2003 and $ 4.8 million in 2004.

A consumer trend toward healthy foods and nutritional awareness will support continued growth in consumption of fish and seafood products. More and more restaurants/cafés/food service outlets feature fish and seafood. The growth of the foodservice industry is also supported by the development of shopping malls with food courts. However, the market is far from saturated for a wide range for fish and seafood products and is likely to continue to grow.

Advantage	Challenges
Market scale - Indonesia has a population of around 215 million people and the Muslim population (88%) easily accept fish and seafood products as halal products	Weak purchasing power of the majority of the population
Local supply of fish and seafood products mostly ocean caught	Indonesian buyers are not familiar with the wide variety and quality of U.S. fish and seafood products
Rapid growth of retail and HRI sectors will create a new fish and seafood product import opportunity	Higher transportation cost and longer shipping time for products from U.S.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

The market is dominated by fresh fish and seafood, although canned fish/seafood is still the most popular type of canned food in Indonesia and consumption of frozen processed fish/seafood is starting to grow. Imported fish and seafood products are a relatively small part of the overall market, mostly found in the HRI sector and up-scale supermarkets.

Domestic consumption of fish and seafood products in 2002 increased from 21.57 kg/ capita/year to 24.67 kg in 2003. The consumption per capita is strongly linked with purchasing power, but is also affected by promotional campaigns and consumer interest in the health benefits of eating fish and seafood.

However, local fish and seafood products sometimes have quality problems. This is because the fishermen use traditional fishing equipment and technology and most of them are small scale fisherman with relatively low income, limited mastery of fishing technology with limited management skills and low capital base. In addition, infrastructure, including ports and cold storage, are poorly developed and post-harvest handling of fish remains weak.

There are only a few active fish and seafood exporters and processors, mostly located in east Indonesia, the area of ocean fishing for export and processing. Importers/ distributors are located in Jakarta, Semarang and Surabaya.

Retail Sector:

According to an AC Nielsen study from 2003, there are around 1.7 million traditional markets or 73 percent of the total retail food markets in Indonesia. Traditional markets are growing at an estimated 5 percent per year compared to 16 percent growth per year of modern retail markets. This information illustrates that most fish and seafood produced locally is sold in the wet market (traditional outdoor market). The long trade chain from fisherman to the market plus poorly developed infrastructure raises the price and lowers the quality of the products at the retail level.

About half of all imported fish and seafood is sold throughout modern retail markets. In the last three years, more up-scale supermarkets catering for expatriate and high-income local community have developed with prominent chilled fish and seafood product displays. Expanded and more modern retail stores have provided better infrastructure to support the imported fish and seafood business.

HRI Sector

Indonesian consumers are starting to consider fish and seafood products as more healthy than other type of protein sources, especially meat. Restaurants featuring fish and seafood products, such as Japanese cuisine as well as western style, are growing particularly in the big cities, such as Jakarta, Bandung, Surabaya, and Bali. The remaining half of imported fish and seafood products go to this sector.

Food Processing Sector

According to Euromonitor, canned fish/seafood is still the most popular type of canned food in Indonesia, at almost 57 percent volume share with 19,620 tons of retail sales volume in 2003. This is mainly due to the wide range of canned fish available as a ready meal compared to canned meat in ready meal form. Among fish and seafood products, sardines is the most popular canned fish, due to its low price. Meanwhile high priced tuna is more popular with high-income consumers.

A wider distribution of freezers has helped the penetration rate of frozen processed products including fish and seafood products such as fish meat ball, imitation crab, etc. This is an effort by marketers to reach out areas not covered by supermarket/hypermarket. The companies provide freezers to independent individuals (house wives), independent grocers and small food vendors in wet markets to store and sell their frozen products. More urban women entering the workforce with less time available for shopping and cooking also supports the consumption of these kinds of food products.

Table 2. Retail Sales of Canned and Frozen Processed Fish and Seafood

Description		year		
		2001	2002	2003
Canned fish & seafood	Value (Rp billion)	396.7	438.3	482.2
	Volume (000 tons)	16.67	18.00	19.62
	Value growth	2002/2003: 10%		
	Volume growth	2002/2003: 9%		
	Total Value growth	2003/2008: 35.6%		
	Total Volume growth	2003/2008: 81%		
Frozen processed fish & seafood	Value (Rp billion)	447.2	630.5	882.7
	Volume (000 tons)	0.92	1.02	1.19
	Value growth	2002/2003 : 23.5%		
	Volume growth	2002/2003: 17.0 %		
	Total Value growth	2003/2008: 200.9%		
	Total Volume growth	2003/2008: 179.8%		

Euromonitor

<u>Fish and seafood Import Sector:</u>

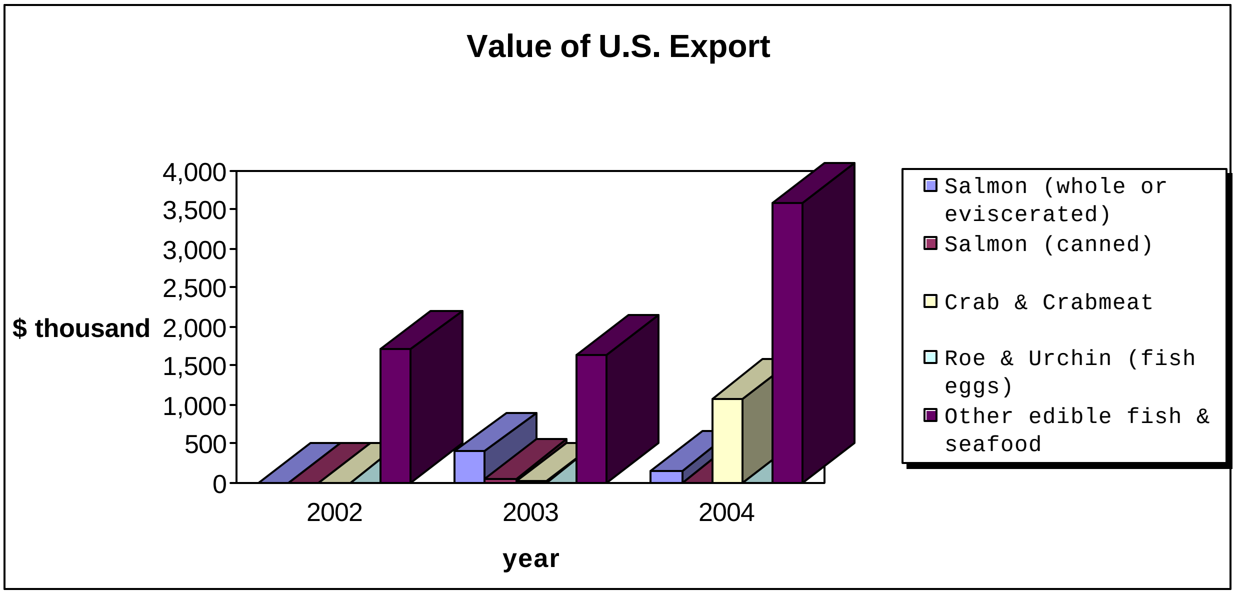
The table below shows the category of fish and seafood the U.S. exports to Indonesia based on U.S. Trade data. The other edible fish and seafood includes yellow fin tuna, flat fish, atka mackerel, mackerel, tuna, herring, sardines, cod fillets, other fish fillet, lobster, king crab, shrimp/prawn, scallops, squid fillet, squid loligo

Table 1. U.S. Export of Fish Seafood products to Indonesia ($ 1,000)

Product	2002	2003	2004
Salmon, whole, or eviscerated	4	399	155
Salmon, canned	0	49	0
Crab & crabmeat	4	16	1,073
Roe & Urchin (fish egg)	0	0	0
Other edible fish & seafood	1,707	1,640	3,597

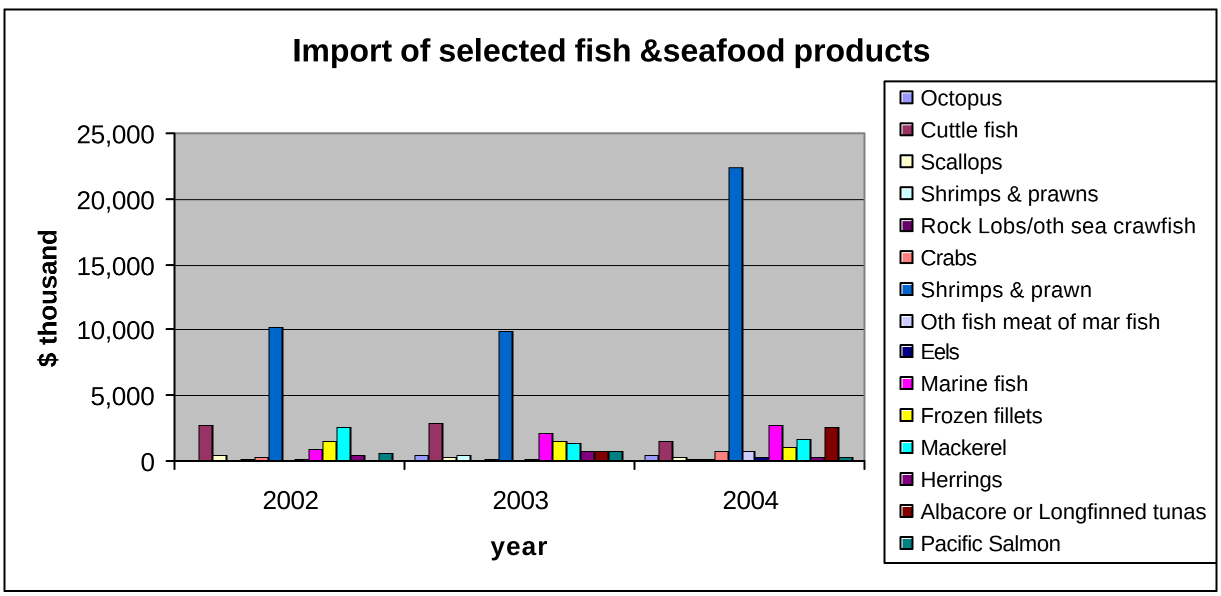
FASTUS

Figure 1. Value of U.S. Export of fish & seafood to Indonesia



The volume of imported fish and seafood products volume is relative small, with China, Taiwan, Japan, Netherlands, Norway and the United States as the main suppliers.

Figure 2. Import of selected fish & seafood products



Indonesian Central Statistics Agency

The table above shows that the shrimp and prawn imports increased significantly in 2004. However, the Ministry of Marine Affairs & Fisheries and Ministry of Trade released a joint decree banning the importation of shrimp on January 26, 2005 and the decree will be reviewed after six months. This was released to avoid any antibiotic, pest & disease contaminated fish entering Indonesian territory.

Table 2. List of shrimp Banned from Entry into Indonesian Territory

No.	HS Code	Description
1	0306130000	Frozen: Shrimp and prawns (Penaeus Vanamae, Penaeus Monodon, Penaeus Stylirosis)
	030623	Fresh: Shrimp and prawns (Penaeus Vanamae, Penaeus Monodon, Penaeus Stylirosis)
2	0306233000	Fresh or Chilled

Domestic Fish and Seafood Sector:

Besides ocean caught fish and seafood, Indonesia's marine fishery potential is also supported by cultivation. Techniques include floating net cage systems and inland fisheries, such as pond/brackish water cultivation for shrimp.

Among the ocean caught species, the largest production volume is generated from tuna types (tuna, mackerel, sardines). The raw material for fish canning industry include small tuna such as skipjack; large tuna such as mandidihang, big eye, albacore, blue and grayfin; sardines, such as lemuru, and mackerel.

Fish and seafood exports have continued to fluctuate. Export are made mainly to the US, Japan, Hong Kong, Singapore, China, Taiwan, Malaysia, Belgium, and Netherlands.

III. ROAD MAP FOR MARKET ENTRY

Entry Strategy

The best way to penetrate the Indonesian market is to appoint an agent. In general, the volume of imported product sales is small. An agent is needed to assure the widest distribution for your products as well as to undertake the marketing efforts necessary to create awareness for your products among consumers.

Distribution Channels For Fish and Seafood Products

Domestic products

Fresh fish caught by fisherman is generally sold at auction at the Fish Auction Terminal (TPI). From the TPI the fish may be directly consumed or distributed by wholesalers to retailers or other institutions. Part of the fish catch is sometimes directly distributed to the processing industry as well. Fish caught by larger fishing companies is generally processed directly. The Level of quality of the fish caught depends on first handling. Fishing technology greatly influences the quality of fresh fish.

Imported products

Imported products sell directly to modern retail outlets and hotel and restaurants.

IV. COSTS AND PRICES

Import Costs

Imported fish and seafood products are subject to 5 percent import duty. In addition to the five percent duty, a 10 percent value-added tax and 2.5 percent sales tax apply. Of course, terminal handling costs, transportation, and demurrage costs may also apply.

V. STRATEGIES TO ENHANCE U.S. SALES

With consumer demand expected to grow in the future and taking advantage of these opportunities, U.S. fish and seafood products promotions should start by improving the product knowledge of the buyers. The importers, retailers, restaurant and hotel people are not well exposed to US fish and seafood products. Since US product costs as well as transportation costs from the US are high, importers and also the ultimate consumers need to be educated as to varieties of fish and seafood that US suppliers can supply and the benefits of US products, including quality issues.

VI. KEY CONTACTS AND FURTHER INFORMATION

Government of Indonesia Contacts for Food & Beverage Control				
Organization	**Contact Person**	**Address**	**Phone**	**Fax**
POM (National Agency for Drug and Food Control)	Drs. Sampoerno, Head	Jl. Percetakan Negara 23, Jakarta Pusat, Indonesia	62-21-424-4688; 424-3605	62-21-425-0764
Marine Affairs & Fisheries, Directorate General Of Capacity Building and Marketing	DR. Sumpeno Putro	Jl. Medan Merdeka Timur No. 16, Jakarta 10110	62-21-351-9070 ext 1104, 350-0063	62-21-352-0844 sumpeno@mailcity.com
Department of Agriculture-Quarantine Agency	Dr. drh. Budi Triakoso, Msc.	Jl. Harsono RM No. 3, E Building, 1st , Ragunan, Jakarta 12550, Indonesia	62-21-781-6481/2	62-21-781-6481/2
Indonesian Trade Association Contact List				
ARPI (Asosiasi Pendingin Indonesia-Indonesian Cold Chain Association)	Ms. Anindita Savitri	IBA Building, 2nd Floor, Jl. Raya Pasa Minggu No 2 B-C, Pancoran , Jakarta 12780	62-21-797-2311	62-21-797-2519 arpi@arpionline.org

APCI (Asosiasi Pengusaha Coldstorage Indonesia)	Mr. FX Dianto - Chairman Mr. Hartono – Vice Presiden	Jl. Anatara No. 35, Jakarta Pusat	62-811-186-788	apcipusat@cbn.net.id
Indonesian Fish Cannery Association	Hendri Sutandinata, MBA, Chairman	Jl. Cipinang Indah Raya No. 1, Jakarta 13420, Indonesia	62-21-819-6910	62-21-850-8587

V. POST CONTACT AND FURTHER INFORMATION

The Foreign Agricultural Service (FAS) of US Embassy Jakarta maintains up-to-date information covering food and agricultural import opportunities in Indonesia and would be pleased to assist in facilitating U.S. exports and entry to the Indonesia market. Questions or comments regarding this report should be directed to the FAS Jakarta at the following local or U.S. mailing address:

Foreign Agricultural Service
U.S. Embassy Jakarta
Jl. Medan Merdeka Selatan # 3-5
Jakarta 10110 - Indonesia
Tel: +62 21 3435-9161
Fax: +62 21 3435-9920
e-mail:agjakarta@usda.gov
Home page:www.usembassyjakarta.org/fas

Foreign Agricultural Service
U.S. Embassy-Jakarta
Box 1, Unit 8129
FPO AP 96520-0001

Please contact our home page for more information on exporting U.S. food products to Indonesia, including “Market Brief: Imports of U.S. Fresh Fruit: Indonesia”, "Market Brief - Beef Liver & Chicken Leg Quarter in Indonesia", Market brief – Snack Food” Indonesia, and "Market Brief-Furniture Industry in Indonesia".

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service’s Home Page: http://www.fas.usda.gov

APPENDIX I:
Sea Food: Indonesian Imports
Central Statistics Agency

HS Code	Description	2004 (Jan-Aug) (value USD)		2003 (value USD)		2002 (value USD)	
		World	US origin	World	US origin	World	US origin
030759100	Octopus Frozen	503,591	297	472,796	0	22,729	0
030749100	Cuttle Fish Frozen	1,454,573	0	2,915,517	0	2,685,135	35,677
030729100	Scallops Frozen	251,448	187,121	229,904	41,374	515,806	34,809
030623900	Shrimps and Prawns other than in airtight container	174,992	168,312	430,034	409,062	66,589	62,764
030621900	Rock Lobster & other Sea Crawfish other than in airtight container	156,730	156,482	58,885	10,446	178,973	35,826
030614000	Crabs frozen	692,543	233,235	122,161	2,382	240,709	2,153
030613000	Shrimps and Prawns Frozen	22,449,418	131,989	9,888,611	51,200	10,156,837	607,923
030490100	Other fish meat of Marine fish	696,642	17,575	74,773	0	75,382	0
030376000	Eels frozen	295,992	171	171,274	0	218,889	0
030379100	Marine fish frozen	2,711,250	11,164	2,125,380	0	973,259	1,216
030420000	Frozen fillets	1,105,757	9,329	1,459,040	59,989	1,488,373	34,280
030374000	Mackerel frozen (Scomber Scombrus, Sober Australasicus, S. Japonicus)	1,608,388	18,996	1,436,991	63,227	2,572,206	74,492
030350000	Herrings frozen	362,117	0	806,984	40,320	486,961	33,602
030341000	Albacore or Longfinned Tunas frozen	2,656,259	83	694,846	33	22,401	0
030212000	Pacific Salmon fresh or chilled	286,905	4,226	732,924	50,103	613,833	10,894

APPENDIX II
Country of origin
Central Statistics Agency

HS Code	Description	Major Suppliers (% value USD)		
		2004	2003	2002
030759100	Octopus Frozen	Taiwan 46%, Phillipines 29%, China 11%	Philippines 65%, Taiwan 16%, China 14%	Italy 76%, Australia 9%
030749900	Cuttle Fish Frozen	China 43%, Taiwan 35%, Japan 7%, South Korea 6%, New Zealand 5%, Malaysia 4%	Taiwan 58%, China 28%, South Korea 9%	Taiwan 38%, South Korea 30%, China 20%, Japan 8%
030729100	Scallops Frozen	**US 74%,** Hongkong 8%, Australia 7%, Singapore 5%	Australia 26%, **US 18%,** Malaysia 16%, Vietnam 12%, New Zealand 8%, Hongkong 7%	India 44%, China 20%, Malaysia 13%, Australia 8%, **US 7%**
030623900	**Shrimps and Prawns other than in airtight container**	**US 96%, Malaysia 3%**	**US 95%,** Thailand 4%	**US 94%,** Norway 4%
030621900	Rock Lobster & other Sea Crawfish other than in airtight container	**US 99%**	Batam * 82%, **US 18%**	Malaysia 64%, **US 20%,** Singapore 16%
030614000	Crabs frozen	US 33%, Vietnam 30%, China 23%, Malaysia 11%,	Batam * 56%, Myanmar 39%	Vietnam 82%, Bahrain 17%
030613000	Shrimps and Prawns Frozen	China 34%, Thailand 22%, Malaysia 14%, India 11%, Myanmar 5%, Batam * 5%	Malaysia 25%, Batam * 15%, Singapore 13%, China 8%, Thailand 7%, Vietnam 5%, India 5%, Myanmar 5%, France 4%,	Singapore 23%, China 20%, Malaysia 12%, Batam * 8%, India 8%, Vietnam 6%, **US 6%**
030490100	Other fish meat of Marine fish	China 34%, Taiwan 29%, Myanmar 21%, Malaysia 11%, **US 3%**	Taiwan 25%, China 25%, Thailand 21%, 17%, Belgium 8%, Norway	Thailand 53%, Australia 38%, Malaysia 8%

			4%	
030376000	Eels frozen	Japan 54%, China 34%, Batam * 9%	Japan 87%, Taiwan 6%, China 5%	Japan 90%, China 5%
030379100	Marine fish frozen	Japan 38%, Australia 28%, China 13%, Malaysia 6%, Thailand 6%	Malaysia 32%, Australia 32%, China 15%, Thailand 6%	Australia 44%, Taiwan 27%, Iceland 17%, Spain 8%
030420000	Frozen fillets	Batam * 33%, Malaysia 31%, Japan 12%, Uganda 8%, New Zealand 6%, Australia 4%,	Batam * 37%, Japan 29%, Singapore 12%, Malaysia 11%, **US 4%**	Batam * 33%, Malaysia 19%, Singapore 19%, Japan 11%, Norway 8%, Vietnam5%, **US 2%**
030374000	Mackerel frozen (Scomber Scombrus, Sober Australasicus, S. Japonicus)	China 41%, Pakistan 30%, Malaysia 10%, Japan 9%, Taiwan 6%	China 43%, Taiwan 22%, Pakistan 16%, Malaysia 4%, **US 4%**	China 62%, South Korea 14%, Taiwan 13%
030350000	Herrings frozen	Netherlands 47%, Ireland 43%, Germany 7%	Netherlands 50%, Irelands 36%, UK 8%, **US 5%**	Netherlands 68%, Norway 11%, UK 9%, **US 7%,** Ireland 6%
030341000	Albacore or Longfinned Tunas frozen	Taiwan 47%, South Africa 23%, Singapore 13%, Japan 10%, Batam * 6%	Taiwan 98 %	China 88%, France 12%
030212000	Pacific Salmon fresh or chilled	Norway 84%, Australia 13%	Norway 79%, US 7%, Japan 6%	Norway 80%, Australia 18%

- Batam is one of Indonesia Island, Batam free area is regarded as “abroad”