



# Food Processing & Packaging Equipment Market in Indonesia

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## Summary

After years of being in the doldrums in the wake of 1997/1998 monetary crisis, Indonesia's food processing and packaging industry began to revive in 2004. The demand for food-processing machinery with larger processing capacity is rising as small to medium-sized companies are merging, increasing in size, and diversifying production.

Indonesia imported \$145 million worth of food processing and packaging equipment in 2004. In 2005, the total import value of food processing and packaging equipment reached \$322 million. U.S. export of food processing and packaging equipment in 2005 totaled \$ 6.6 million, up from only \$270,000 in 2004.

## Market Demand

The food and beverages sector continues to be the largest market for the packaging equipment, followed by the health care and pharmaceutical sectors. Indonesia is home to over 30,000 food and beverages processors, ranging from home-based businesses to small-or-medium-size enterprises. These companies manufacture instant noodles, bakery products (including biscuits), cereals, dairy, ice cream, sauce concentrates, tomato ketchup and sauces, snack foods (such as potato chips and crackers), canned food, confectionery, chocolate and sweets.

Although the demand for machinery and equipment in the industry is huge, the domestic machinery industry cannot satisfy the internal demand for quality equipment. For the most part, domestic equipment is used in small scale processing factories. Medium and larger food processing enterprises and even smaller firms producing high quality products must rely on imported machinery and equipment. The food-processing sector is forecast to maintain an average annual growth rate of 10 – 15 percent for the near term.

## Market Data

Table 1: Import of food processing and packaging equipment categorized by products in 2004 – 2005

HS No.	Product Descriptions	Total Import	
		2004	2005
84.22.30.900	Other machinery for filling, closing containers	26,189,796	36,090,312
84.22.40.000	Other packing or wrapping machinery	118,204,388	165,124,349
84.34.20.000	Dairy machinery	2,816,852	6,158,385
84.34.90.000	Parts of milking & dairy machinery	1,766,817	1,435,441
84.35.10.000	Presses, crushers & similar machinery	969,521	5,344,974
84.35.90.000	Parts of presses, crushers & similar machinery	191,546	598,196
84.38.10.100	Bakery machinery	10,112,969	10,475,139
84.38.10.900	Other machinery for the manufacture of macaroni, spaghetti	19,504,872	18,880,600
84.38.20.000	Machinery for the manufacture of confectionery, cocoa or chocolate	11,542,990	24,359,443
84.38.30.000	Machinery for sugar manufacture	12,957,836	1,507,259
84.38.50.000	Machinery for the preparation of meat or poultry	3,130,024	2,108,932
84.38.60.000	Machinery for the preparation of fruits, nuts or vegetables	757,988	1,215,976
84.38.80.900	Other machinery for the preparation of fish	9,993,533	12,706,070

84.38.90.000	Parts Machinery for the industrial preparation/manufact. Of food & drink	4,680,343	17,051,602
84.41.10.900	Other cutting machines	24,456,728	18,608,245

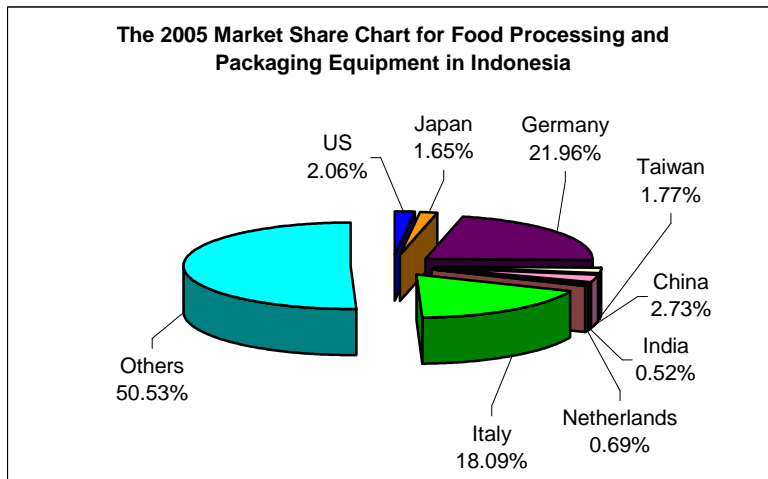
Source: Indonesian Central Bureau Statistics

The following products, with their corresponding Harmonized Systems codes, are expected to represent best sales prospects in the Indonesian market for U.S. exporters:

HS No.	Product Descriptions
84.38.10.900	Other machinery for the manufacture of macaroni, spaghetti
84.38.30.000	Machinery for sugar manufacture
83.38.80.900	Other machinery for the preparation of fish

Within these sectors, U.S. suppliers are already relatively strong and should strengthen their market position with respect to other countries.

Table 2: The 2005 Market Share Chart for Food Processing and Packaging Equipment in Indonesia



Source: Indonesian Central Bureau Statistics

U.S. exports of food processing and packaging equipment in 2005 totaled \$ 6.7 million, up from only \$270,000 in 2004, and represented a 2% share of the import market.

U.S. food processing and packaging machinery is often deemed expensive compared to comparable European equipment. Indonesian end-users sometimes point to flexibility as their reason for purchasing European-made equipment.

Indonesian production runs are sometimes of lower volume than U.S. machinery is made for. Therefore, U.S. exporters of smaller volume equipment may have greater opportunities. U.S. manufacturers should be willing to take smaller initial orders, which can lead to larger purchases in the future.

## Best Prospect

Indonesia imported \$145 million worth of food processing and packaging equipment in 2004. In 2005, the total import value of food processing and packaging equipment reached \$322 million.

The demand for food-processing machinery with larger processing capacity is rising as small to medium-sized companies are merging, increasing in size, and diversifying production.

The best U.S. export prospects in this sector include machinery that improves efficiency and automation and new technology for processed foods industry, such as canned and frozen foods, fruit juice concentrates, snack foods, and dried fruits and vegetables.

In the aquaculture industry there is demand for filleting, de-boning, de-heading, and refrigeration and freezing equipment, as well as for equipment to produce ready-to-eat products.

Most food related industries in Indonesia must meet internationally recognized health standards, which create a demand for technology, equipment and certifying companies that can assist Indonesian food processing and packaging companies to comply with these standards.

## Key Suppliers

The food processing and packaging industry in Indonesia is becoming more concentrated and therefore more competitive. Though local manufacture of food processing and packaging equipment is minimal, there is a strong presence of European equipment and machinery. For example, Germany and Italy dominate the market for packing and wrapping machinery, while UK and Netherlands dominate the market for machinery for the manufacturer of confectionery, cocoa and chocolate.

European food processing and packaging machinery suppliers have long been the market leaders. Indonesian end-users prefer for European machinery over other foreign brands because they have had a strong presence in the market for years. They provide high-quality machines at very competitive prices compared to their counterparts in Asia and the United States. European firms have established substantial distribution channels in Indonesia. In addition, European suppliers are more willing to customize their machines to particular requests by local end-users.

## Prospective Buyers

Prospective buyers of food processing and packaging equipment in Indonesia are the following:

- Confectionery/Candy Products: Mayora Indah Tbk, P.T., Trebor Indonesia, P.T., Hawaii (1971) Confectionery Factory, P.T., Inasentra, P.T., Nestle Indonesia, P.T.
- Biscuits And Bakery Products: Khong Guan, P.T., Monde, P.T., Makindo Perdana, P.T., Cipta Rasa Primatama, P.T., Jaya Timur, C.V., Ubindo Aneka Biscuits, P.T.
- Poultry And Meat Processing Products: Kemang Food Industry, P.T. Pangansari Utama Catering And Food Industries, P.T., Soelina Interkaya Processing, P.T., Suba Indah Tbk, P.T. Charoen Pokphand Indonesia, P.T.
- Fish, Fresh, Chilled and Frozen: Bali Mina Utama, P.T., Bina Wimatraco, P.T., Bonecom, P.T., Dharma Mulia Samudera Fishing Industries Tbk, P.T., Dwi Bina Utama, P.T., Lucky Samudra Pratama, P.T.

- Snacks Products: Kobe Lyna Industry, P.T., Rasa Murni Utama, P.T., Indofood Sukses Makmur Tbk, P.T. (Frito-Lay), Indofood Sukses Makmur Bogasari Flour Mills, P.T., Sanmaru Foods Manufacturing Co. (Affiliated With Indofood Group)

- Fruit/Vegetable Processing, Including Juice And Beverages Products: ABC Central Food Industry, P.T., Coca-Cola Indonesia, P.T., Ultrajaya Milk Industry & Trading Co., P.T., Ciracasindo Perdana, P.T., Salim Graha Food And Beverage Industry, P.T., Mustika Ratu, P.T., Great Giant Pineapple Co., P.T., Kapal Indah Otsuka, P.T.

## Market Entry

Food processing and packaging manufacturing companies often import their equipment by contacting foreign manufacturers directly. However, it is also common to buy through local agents or distributors, or foreign agents located in Singapore or Hong Kong.

Foreign firms may open a single or multiple local representative office in all 32 provinces with permission of the Indonesian Department of Industry. The representative(s) may be an Indonesian company or individual, or a foreign national. Trade representatives may not engage in direct sales nor conclude deals, but they may engage in sales promotion and marketing, or do market research and provide technical advice. The U.S. Commercial Service in Indonesia can help U.S. exporters identify qualified local partners through our range of U.S. export promotion program/services.

## Market Issues & Obstacles

There are no market barriers for food processing and packaging equipment imports in Indonesia. Most food processing has 0 to 10 percent import tariffs. All sales to Indonesia are subject to a 10 percent Value Added Tax (VAT). Effective January 1, 2002, Indonesia, along with its regional partners, fully implemented the ASEAN Free Trade Agreement (AFTA). Indonesia has now reduced tariffs for all products included on its original commitment (7,026 tariff lines) to five percent or less for products of at least 65 percent ASEAN origin. The government will reduce rates on the 66 remaining tariff lines, mostly in the chemicals and plastics sectors, to the 5 percent AFTA ceiling in 2003.

## Trade Events

U.S. suppliers of food processing and packaging equipment can promote their products in the following trade events:

1. Inter Pak 2006 (The 7<sup>th</sup> Indonesian trade show on food processing and packaging equipment), September 6-9, 2006, at the Jakarta International Fair Ground Kemayoran. For further information please contact P.T. Kristamedia Pratama at e-mail: [info@kristamedia.com](mailto:info@kristamedia.com) or visit their website at [www.kristamedia.com](http://www.kristamedia.com)
2. Propak Indonesia 2006 (The 19<sup>th</sup> International Series of Exhibitions for the processing and packaging industries) December 6-9, 2006, at the Jakarta International Fair Ground Kemayoran. For further information please contact P.T. Pamerindo Buana Abadi at their website <http://www.pamerindo.com/>

## Resource & Key Contacts

The Ministry of Industry of The Republic Of Indonesia  
Website: [www.dprin.go.id/eng2005](http://www.dprin.go.id/eng2005)

Indonesian Packaging Association  
(FPI – Federasi Pengemasan Indonesia)  
E-mail: [info@packindo.org](mailto:info@packindo.org)  
Website: [www.packindo.org](http://www.packindo.org)

## For More Information

The U.S. Commercial Service in Jakarta, Indonesia can be contacted via e-mail at: [aulia.rochaine@mail.doc.gov](mailto:aulia.rochaine@mail.doc.gov) Phone: 62-21-5262850; Fax: 62-21-5262855 or visit our website: [www.buyusa.gov/indonesia](http://www.buyusa.gov/indonesia)

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