

FOOD & BEVERAGE INDUSTRY PROJECTED TO GROW AT 9%



THE INDONESIAN MINISTRY OF INDUSTRY has predicted a growth of at least 9% for the country's food and beverage industry this year. The industry was also identified by Hartarto as the fifth ranked highest growing industrial sector in 2018 at 7.91% growth, behind machinery and equipment (9.49%), leather and footwear (9.42%), base metal (8.99%) and textile and textile products (8.73%).

Minister Airlangga Hartarto said in a statement that the government had projected that investment in food and beverage would reach Rp 63 trillion (US\$4.48 billion) in 2019, while investment in footwear is projected at Rp 2.8 trillion and investment in textile and textile products is expected to reach Rp 14 trillion, nearly double last year's figure. He said the government would continue

to boost non-oil and gas exports this year, which was recorded at \$130 billion in 2018. "In 2018, the contribution [of non-oil and gas exports] reached 72.25 percent. The manufacturing industry is always the largest contributor," Airlangga said as quoted by Antara, adding that investment in the manufacturing industry had continued to grow significantly.

In 2014, investment in the sector reached Rp 195.74 trillion, then increased to Rp 222.3 trillion in 2018. This increase in investment created 18.25 million jobs, which contributed 14.72% to total national employment. The ministry is aiming for 5.4% growth in the manufacturing industry along 2019. The growth is expected to be supported by food and beverage, machinery, textile industry, leather industry,

leather goods, footwear, the metal goods industry, and computer and electronic goods.

Direct investment in Indonesia's food and drinks industry is dominated by domestic investors. If we take a look at the data from the Indonesia Investment Coordinating Board (BKPM), then we see that 60% of total direct investment in this industry originated from Indonesian investors. Though actually many foreign investors interested to invest in Indonesia. However, they are often scared off by regulations that are regarded uncondusive. Among the top concerns of foreign investors are the availability of quality human resources and the availability of raw materials.

Haris Munandar, Industry Ministry Secretary General, added that it are particularly several big local instant noodles and palm oil-based product manufacturers, all owned by Indonesian investors, that dominate the food and beverage industry of Indonesia. Moreover, these giants are always eager to expand their business by adding more production lines or enlarge production capacity in line with growing demand from the Indonesian consumer.



Meanwhile, most of the foreign food and drinks players who invest in Indonesia are big as well but usually they set up one production line in Indonesia, hence their facilities in Indonesia become part of an international production chain. Regarding the soft drinks market, it is interesting to monitor whether there will be a rebound in 2018. Triyono Prijosoelilo, Chairman of the Association of Indonesian Soft Drink Producers (Asrim), said Indonesia's soft drink sales had actually contracted in 2017 with the sales volume sliding by 1% year-on-year.

It was the first time during his period as chairman that Indonesia's soft drinks sales declined. He attributed the contraction to Indonesia's bleak purchasing power, especially among the middle to lower class who account for about 40% of total demand in the nation's soft drinks industry.