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Challenges in Agri-foods Export to EU

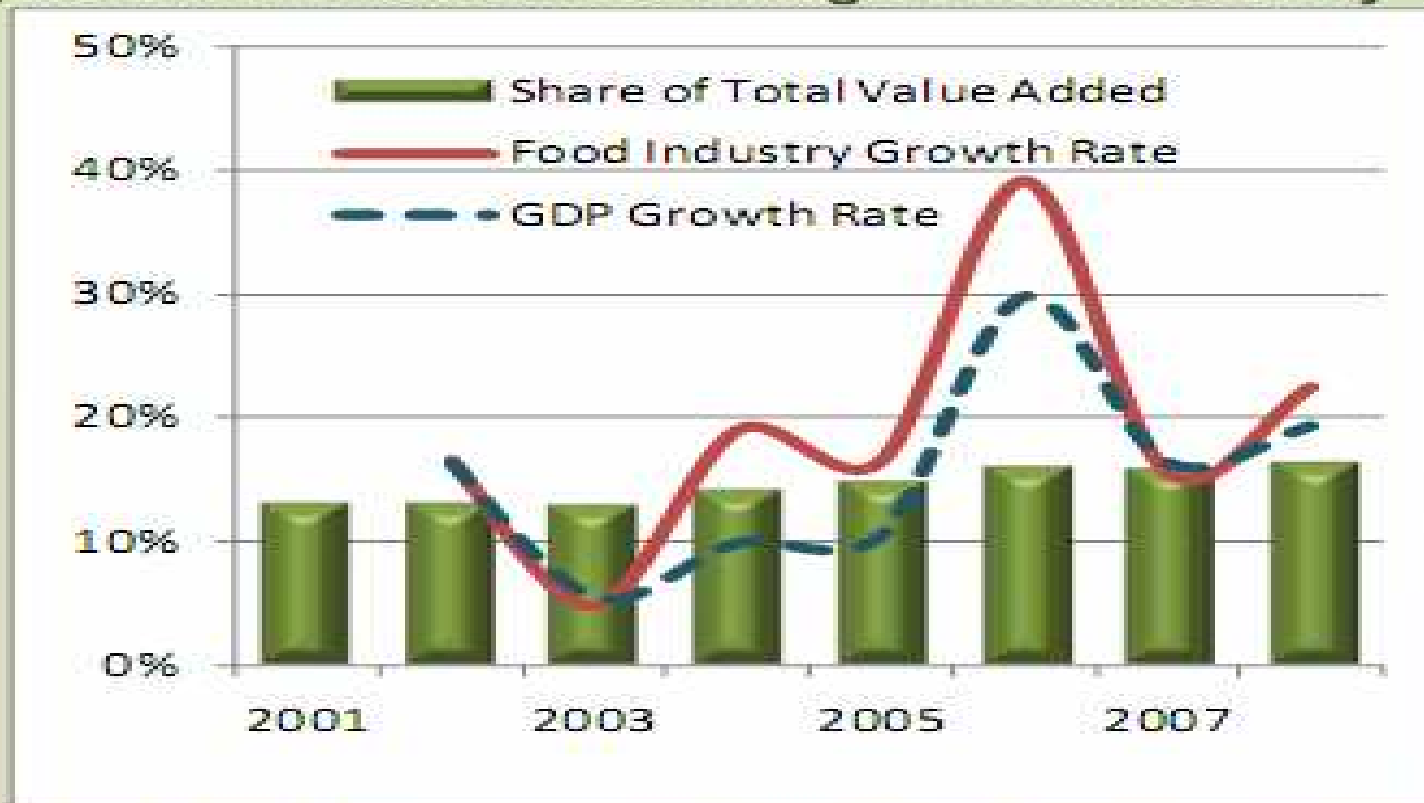
Presentation by Study Team of Indonesia Trade
Access to the EU *Opportunities and Challenges*

30 November
2010



Importance of the Agri-Foods Industry

Figure B1.1: Value Added of Agri-Foods Industry



Source: Derived from data from Badan Pusat Statistik. Available: <http://dds.bps.go.id>.

Move into high value-adding activities
Important for (SMEs) → upstream activities.

Indonesia's Main type of Agri-Foods Export and It's Position in EU Market

Figure B1.2: Indonesia's Main Types of Agri-Food Exports, 2009

Composition of Indonesia's Agri-Food Exports

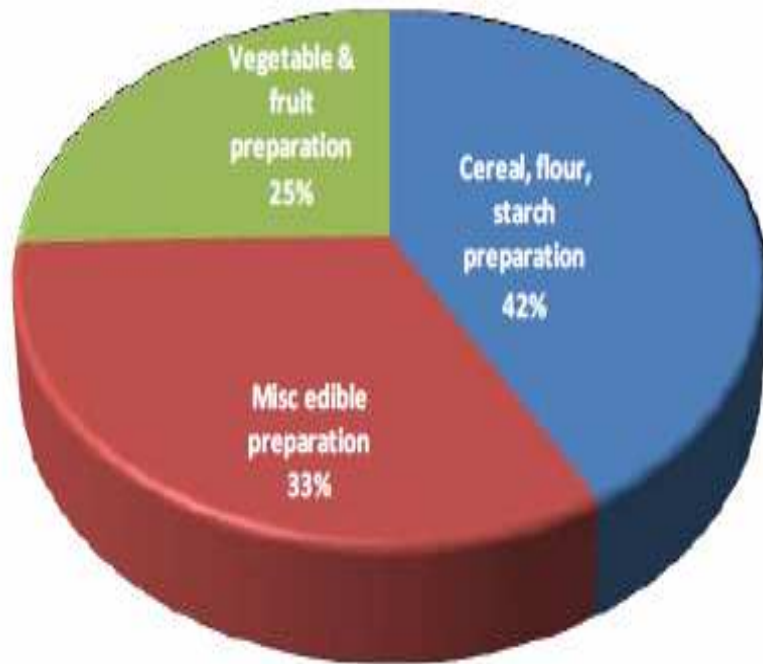
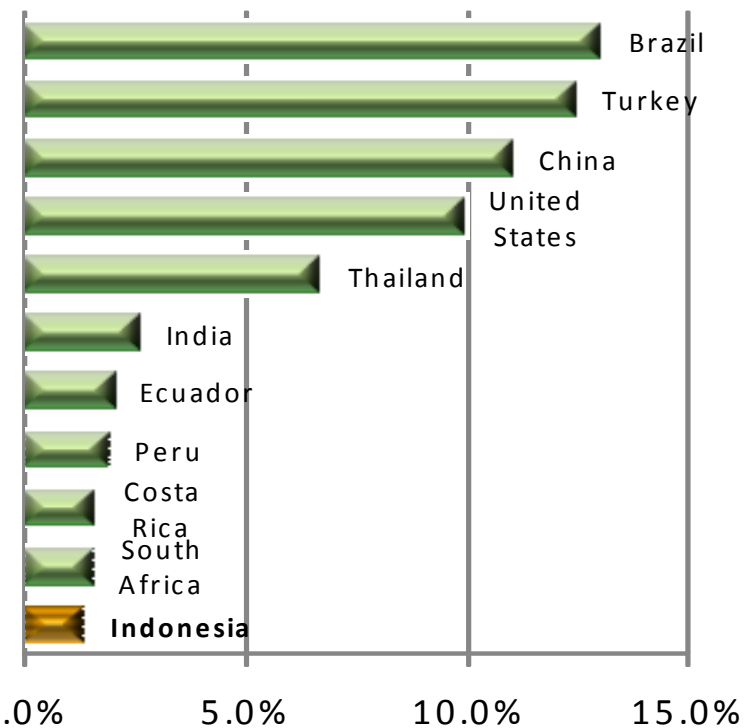


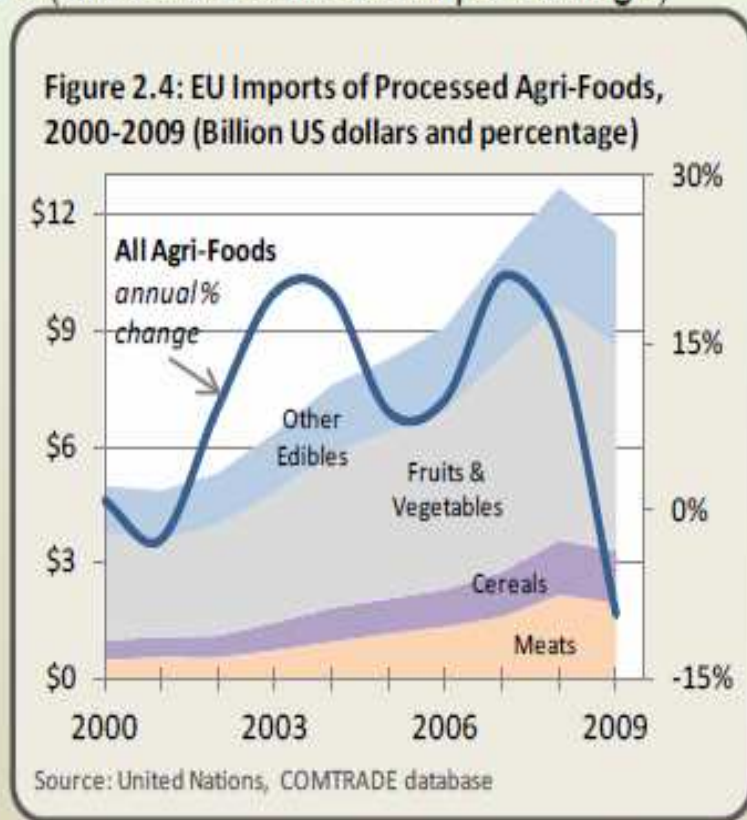
Figure 1.4: Top Agri-Food Exporters to EU Market in 2009



Source: European Commission, Eurostat database

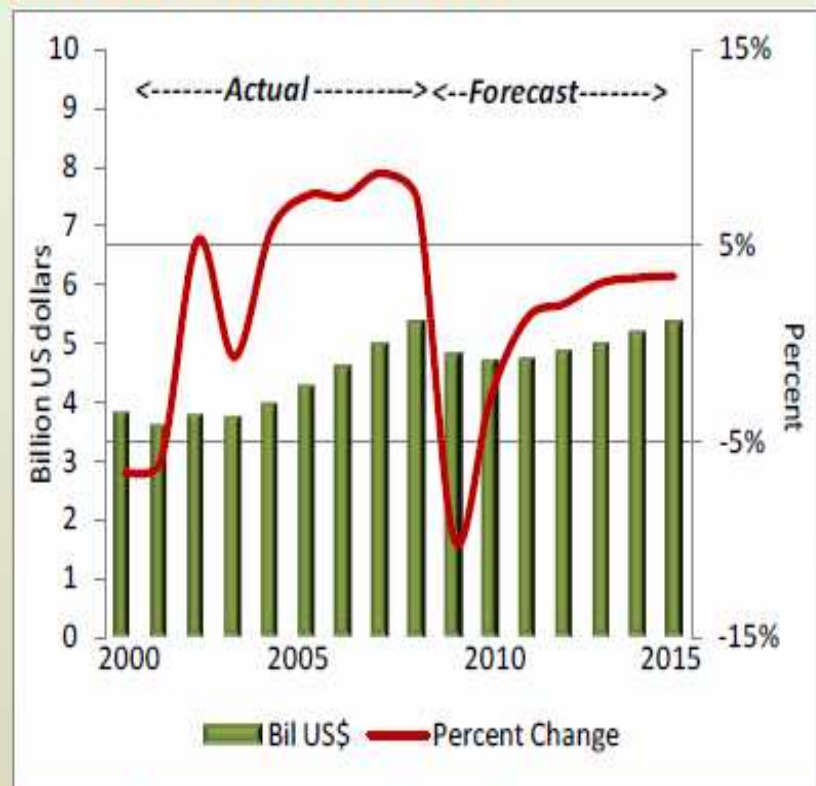
EU Market Development and Prospects

Figure B2.1: EU Agri-Foods Imports, 2000-2009 (Billion US dollars and percentage)



Source: European Commission, Eurostat datase.

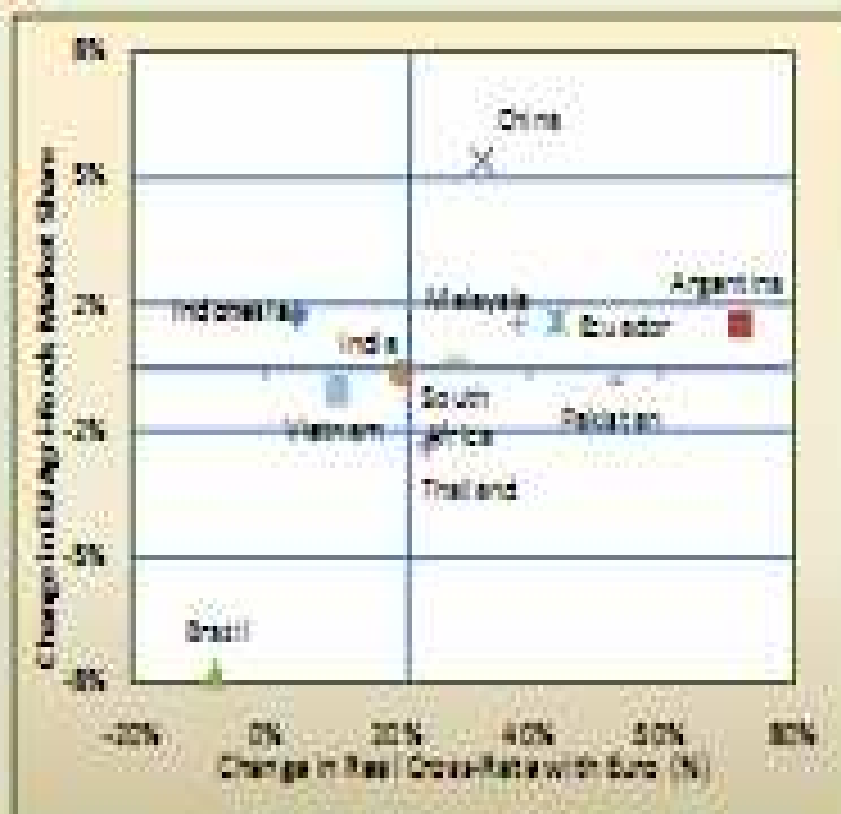
Figure B2.2: EU Agri-Food Imports, actual 2000-2009 and forecast 2010-2015



Source: Projections by the Study Team based on econometric estimates and assumptions about economic activity from IMF, World Economic Outlook database.

Indonesian Agri-Foods Competitiveness

Figure B2.3: Changes in Real Cross-Rates with Euro & Share of EU Agri-Foods Market, 1989-2009



Source: Calculated from IMF, WEO database, and EU, Eurostat.

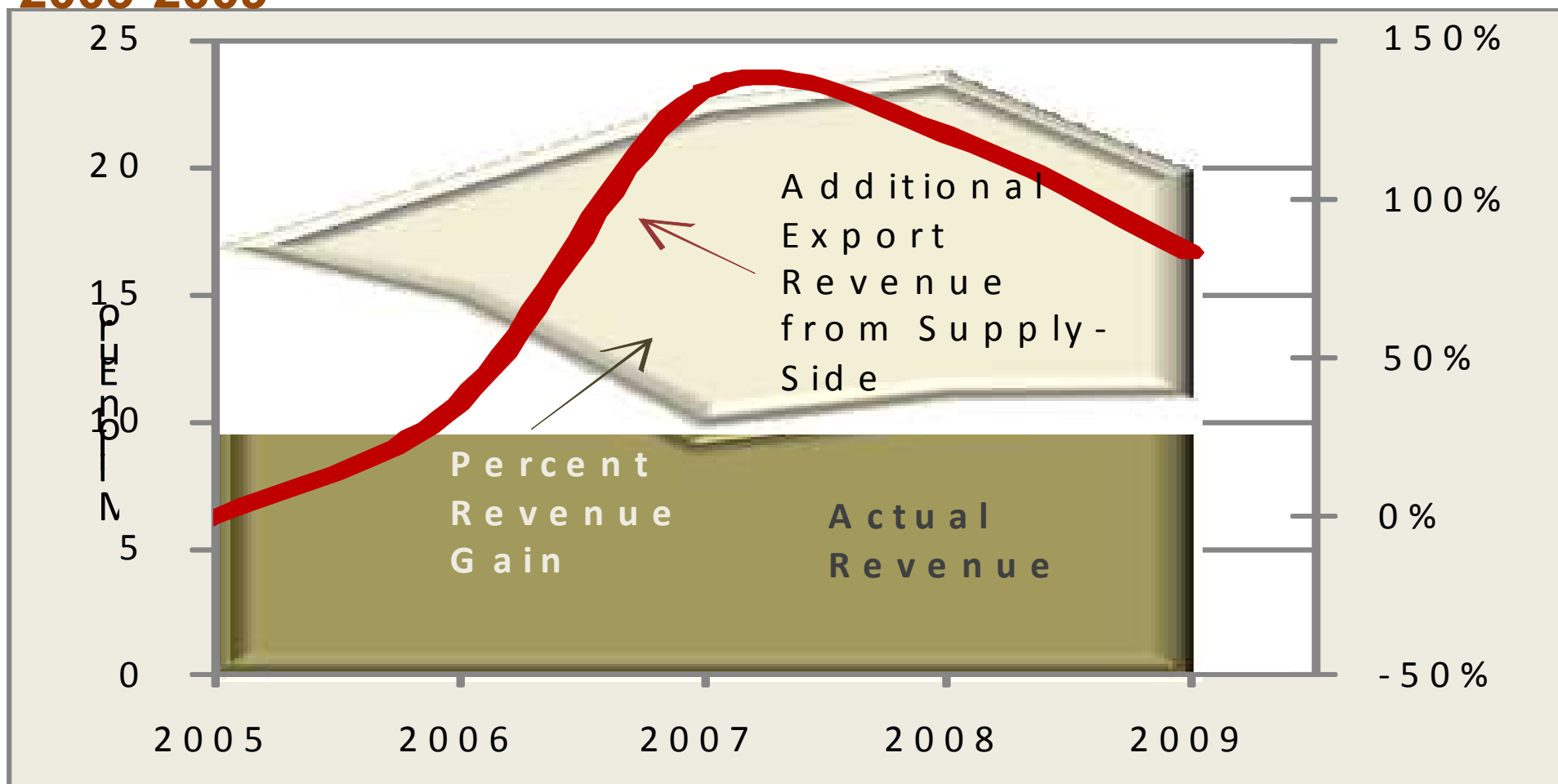
Table B22: Export c.i.f. Price of Agri-Foods of Top Developing Country Suppliers to EU Market, 1989-2009

Brazil	63
Vietnam	77
Indonesia	77
China	79
Pakistan	82
Thailand	83
India	85
Malaysia	90
South Africa	100
Ecuador	115
Argentina	137

Source: derived from data in Eurostat database.
Note: Average of all types of exports.

Opportunities to Regain Market Shares

Figure 2.5: Actual and Potential Export Earnings from Remedial Supply-Side Measures in Agri-Foods Industry, 2005-2009



The challenges to realizing Indonesia's export potential (Non Price Factors)

- a lack of understanding of consumer tastes and preferences;
- lacking overseas networks with global supermarkets;
- difficulties in meeting health controls, packaging and labeling requirements;
- poor infrastructure and high logistics costs.

The challenges to realizing Indonesia's export potential (Supply Side)

MSE and SME Development in Farming

- o **Good Agriculture Practices** → The application of hygiene measures and GAP (farming, pre-processing, storage and transport)
- o **Development of Farmer Groups**

Development of SME Food Processors

- o **Good Manufacturing Practices in SMEs**
- o **Development of GMP Sector Strategy for SMEs**

The challenges to realizing Indonesia's export potential (Supply Side)

Development of Food Laboratories

- **BBIA (Balai Besar Industri Agro) and BPMBEI (Balai Pengujian Mutu Barang Export dan Impor) → perform analytical testing of food products in accordance with international standards**
- **Proficiency Tests and Certified Reference Material → tools to achieve traceability.**

Recommendation

- develop an industry strategy for extra-regional markets;
- promote unique Indonesian products like tropical fruits and vegetable juices;
- encourage cluster and networking development with supermarket chains;
- MSE and SME Support and Development;
- develop Food laboratories capacity.