



# Position Paper

## Sector Working Group on Food & Beverage

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## 1. Business Prospects and Potentials

### 1.1 Indonesia

Indonesia, as the fourth most populous country in the world with a population of 235 million people, is a very large market for food and beverage products. The food and beverage industry is one of the industrial development priorities set by the Indonesian government and it is still promising for both domestic manufacturers and importers or suppliers of processing equipment and (semi-)finished products. The sector has proven to be very resilient during economic downturns, and for many multinational food companies, Indonesia is among their most important markets.

The turnover of the food and beverage industry has been growing at an average pace of close to 20% per year, to a total of US\$ 54,5 billion in 2009. Indonesia import value for food and beverage has increased by an average of 19% per year, from US\$ 1,3 billion in 2005 to US\$ 2,2 billion in 2009. The share of the European Union in the food imports into Indonesia has remained very modest, with just US\$ 170 million in 2009, and has also grown at a very low rate of 2.8% on average annually since 2005, whereas imports from the USA, Canada, and Australia grew by 27% annually and imports from Asia by 18% annually during the same period.

Both domestic investment and foreign investment in the food and beverage industry fluctuated from 2005 to 2009. Domestic investment in the food and beverage industry grew at an average rate of 13.66%, from US\$ 456 million in 2005 to US\$ 560 million in 2009. Foreign investment remained fairly stable.

The figures indicate a robust growth of trade and investment in Indonesia's food and beverages sector, creating many opportunities for European exporters of branded and specialty food products, and of food processing machinery as well as for suppliers of food ingredients and packaging.

The lower income population usually consumes traditional foods like rice, meat or fish, eggs and vegetables. The middle and higher income population consumes a variety of foods like rice, vegetables, fish, meat, beef, eggs, breads, biscuits, dairy, fruits and prepared foods. The preference of the Indonesian consumer, especially of the growing middle

class, has widened into fortified foods (with added vitamins and minerals), foods with stricter quality standards, and organic foods. Regulations are being introduced requiring palm oil to be fortified with vitamin A by 2014. Similar regulations are being considered for rice, based on current trials with rice fortification. Opportunities therefore exist for suppliers of food additives, such as vitamins.

Consumers also increasingly favour instant food, easy-to-use and ready-to-eat processed foods, health foods, and more nutritious food. According to one leading international research firm, the highest growth prospects, with growth expected to be more than 10%, are in poultry, dairy, instant noodles, baby food, food ingredients and bread products.

## 1.2 European Union

Processed foods are increasing their participation of overall consumer expenditures in the European Union as people look for more convenient ways to store and prepare food. Key product groups include processed dairy products, frozen fruit and vegetables, confectionery industry products, various prepared foods and sauces, including pasta, ice-creams and soups, and processed starch products. Despite high tariffs and relatively strict requirements on imports, EU imports have expanded by an average of 10% annually in the last ten years.

Fruit and vegetable juices are the largest processed agro food imported into the European Union. The imports of processed agro foods is expected to grow by an average of 2% per year during the period 2011 - 2015, of with imports of fruit and vegetable juices are expected to grow by 4% per year.

In fishery products, the European Union is increasingly dependent on imports to meet its domestic consumption needs. In 2009 the European Union imported US\$17 billion worth of fishery products, which represented 2.5 times the volume of domestic production. Net imports in that year supplied one-half of domestic consumption. The most important fishery products imported into the European Union are shrimp and salmon, followed by cuttle fish, octopus, sturgeon, cod and scallops. Imports of fisheries products into the European Union are expected to grow by an average of 10% per year in the period 2011 – 2015. Indonesia is the tenth largest supplier of frozen shrimp and has a 4% market share of the EU market.

Indonesian exports of food and beverages are developing well, but exports to Europe are still hindered by food safety issues (fish), and quality control and logistical problems (in horticultural products). (see 'Issues and Possible Solutions')

There is also a need to build capacity in Indonesian research facilities to tackle diseases that limit production of citrus, banana, shrimp, cocoa and poultry to name a few. The domestic supplies of some basic ingredients as input to processing (such as spice powder, fresh and dried vegetables and fruits), are very limited although most ingredients are grown in Indonesia. Greater emphasis on the mandatory implementation of international certification standards (e.g. ISO14001, OH&S, EMS, HACCP, ISO 22000, Global GAP, BRC, IFS, MSC, etc.) is needed to meet the requirements of foreign and domestic consumers. All these challenges also offer opportunities to companies with expertise and testing equipment in these areas.

Sharing knowledge by European countries regarding the regulation and standards that apply in EU is very important, for example, training by BRC to Indonesian Companies about the BRC Standard and assessment.

Growing environmental awareness as well as packaging standards in export markets, are creating a growing demand for more environmentally friendly packaging systems, such as biodegradable sachets.

In summary, both Indonesia and the European Union market offer great potential for new trade and investment in the food sector, provided companies respond to the market trends.

## **2. Issues and Possible Solutions**

### **2.1 Indonesia**

Like other sectors, the food and beverages sector has seen high growth with regulations and institutions struggling to keep pace. This has contributed to problems in food safety and quality standards, illegal imports but also overregulation and customs clearance delays.

Some of the factors affecting the growth of the food and beverages industry are of general nature, such as bottlenecks in general infrastructure. Some problems are however specific to the food and beverages industry.

Indonesia's agriculture sector, being an important supplier of food products, faces a number of challenges which at the same time offer opportunities to foreign and domestic companies. Agriculture, along with fisheries and forestry, accounts for 41% of total employment in Indonesia. However, productivity in the sector is low, with underemployment of workers and negligible levels of capital investment. As a result the sector accounts for just 14% of GDP. Although Indonesia has been successful at developing export-orientated crops such as tea, coffee, cocoa, coconuts, palm oil and pepper, domestic supplies of staple food products have not been secured. The country still needs to import large amounts of staple food products, particularly maize, wheat, sugar, peanuts and soybeans. Initiatives are being taken to develop the production of these commodities domestically.

A number of factors affect Indonesia's international trade and investment in the food sector.

1. *Decree of Chairman of BPOM No. HK.00.05.52.4040* regarding Food Categories. This has been used as standard reference for the registration of food and beverages (MD & ML), but it is still incomplete and does not yet cover all food categories in Indonesia. This situation has created a difficulty for the food and beverage industry in registering their product with BPOM, due to the implementation of the standard reference of food categories. BPOM should be requested to review the regulation that implements the standard reference for food categories, since according to the regulation, product standards are issued by the Indonesian National Standard (SNI). Especially the Brix standard degree for juice beverages is being discussed by BPOM with the association.
2. *Regulation No. 22/M-DAG/PER/5/2010* of 21 May 2010 of the Minister of Trade to amend the existing regulation on Labelling Obligation ("MoT Regulation No. 62/2009). The MoT Regulation No. 22/2010 is effective from 1<sup>st</sup> of September 2010. The obligation to put labels on products states that businesses which produce or import goods to be traded in the domestic market in Indonesia are obliged to attach labels written in Bahasa Indonesia. This regulation applies to all local and for-

eign businesses. Application Process: The Labelling Obligation Regulation requires imported products to have the labels before such products enter Indonesia Custom Area. Before an importer can import products, they shall submit an example of the label written in Bahasa Indonesia to the Ministry of Trade for prior approval. The labels cannot be in the form of stickers attached to a package such as is the case in EU food legislation. This causes entire production chains to have to be re-designed solely for the Indonesian market, which will increase cost for Indonesian consumers.

Indonesia is encouraged to apply a similar system to the EU, where the labeling must be attached in the form of a sticker prior to placing the product on the market and not prior to import. This to ensure that trade continues to be facilitated whilst protecting consumer health and safety.

3. *Draft of Decree of Chairman BPOM regarding Revision of the General Guideline on Food Product Labeling.* In the said draft, BPOM prohibits the use of trademarks registered (in the Intellectual Copyrights Office of the Department of Law and Human Rights) if the said trademark is in nature generic, superlative or deemed as misleading. The trademark law is a government ratification toward International convention on trademark. Even though the position of said regulation is still a draft, but in practice has been used as reference in the registration process. The implication of this situation is that the industry has been much hampered because to build a trademark is not something easy, and takes a long process of dealing with images as well as consumer trust. Due to said regulation draft, the industry must also change labels to change their product trademark. The process to change product label is carried out through two institutions, namely the Intellectual Copyright Office of the Dept. Law and Human Rights and BPOM, which increases the cost burden to industry. Currently, BPOM supposedly follows what has been decided by the Directorate General of Intellectual Copyrights office as an authorized institution in trademarks. Now, the said draft is in revision process (the trademark deemed misleading can be used by attaching a mark "TM" or "R" along with disclaimer in the approval registration letter).
  
4. *The Process of Food Product Registration.* There is a misunderstanding between BPOM and industry to meet the registration requirement. Additional information in

the label requires a separate MD Number, even though the said product has already has an MD number (e.g. attachment on food recipe in a common product should have different number). The application process of distribution license (MD/ML) in BPOM has become inefficient. Another implication of the said misunderstanding during the registration process is that because of the required additional data, the industry finds it difficult to be creative in attaching additional information and the cost is higher because it requires printing some labels with a different registration number. The suggested follow up action is to solve this problem by reforming BPOM's service to become more effective and faster. The BPOM itself should review the said regulation. The BPOM will also conduct trainings to either their staff or industry players regarding the food product registration process.

It is suggested that BPOM appoints officers that are specialized in categories of food products, so that each officer has sufficient expertise to handle new product registrations fast. Currently, new product registrations still take several months.

5. A recommendation from BPOM is needed for every shipment of goods and raw material. This shipment license is not as same as a distribution license (MD/ML) which is already issued for the goods in question. This recommendation needs additional time which may postpone the clearance of goods from the cargo port. The implication of this situation is adding lead times for goods clearance, requiring the company to increase stock levels. It is recommended that the raw material recommendation is given per quota.
6. *Decree of Chairman of BPOM No. HK. 00.05.52.6291* regarding Reference of Nutrient Label for Food Products. In the food product registration process, BPOM requires that the nutrient value attached in the product label should be the same as the value from the analysis result. This is impossible, because analysis results may vary, influenced by raw material variations, production processes, storage and analysis procedures. As a consequence of this requirement, the registration process is problematic. The nutrient value information attached on the label is impossible to be the same as the value in the COA (Certificate of Analysis). The follow up action to solve this problem is that BPOM should implement a tolerance value in the attachment of nutrient values in line with the provisions which are internationally



applicable. Now the revision of said regulation is under process at Legal bureau BPOM.

7. *Circular letter of BPOM regarding Single MD.* One type of products that is produced by one company in a factory with different locations must obtain different MD numbers for each location. These regulations cause complexity in the company's operations. BPOM will issue a formal letter regarding a Single MD license for Industry. Now BPOM is still preparing the draft requiring a single MD regulation per regency/city.
  
8. *GMO regulations are unclear.* There is still no clear regulation regarding products containing GMO, whereas in accordance with PP 69/1999 Part 12 Article 35; on the label for food resulted from genetic engineering it is obliged to attach the wording "PANGAN REKAYASA GENETIKA", allowing the food products containing GMO to be distributed. However, in reality all product registrations containing GMO raw material will not be approved by BPOM and are not allowed to be distributed. The raw material containing GMO will not obtain an entry license from BPOM. This matters causes i) obstacles for new investment in products containing GMO, ii) decline and obstacles of new ML/MD extension containing GMO substance. It is suggested that BPOM issues a regulation regarding a minimum/maximum threshold from GMO allowed in Indonesia.
  
9. *Decree of Minister of Health No. 772/Menkes/Per/IX/88 regarding Food Additives.* Food manufacturing technology has developed in line with the industrial demand, so the number of different types of food additives is continuously increasing. Therefore, a new list of food additives is needed that accommodates this development as long as it is in line with the International Food Security Standard (Codex Alimentarius). The implication of said regulation is that the industry will find it difficult to carry out innovation. Another implication is a deterioration of national industry competitiveness in the global market. The proposed action is to suggest BPOM to soon legalize a new food additives list, accommodating technology development. In the transition phase before a new food additives list applies, an SOP to use food additives is needed. Now, the said regulation is in the revision process,

however the revision process has not yet accommodated industrial needs, especially the need to innovate and increase competitiveness.

10. *BSE*: In 2001, Indonesia started to apply an import ban on animals and a range of animal products where it considered there was a risk of Bovine spongiform encephalopathy (BSE). In 2009, Indonesia introduced a new policy: Ministry of Agriculture Decree 20/2009 on Imports of Meat, which still contains BSE-related requirements that are against international rules (de-boned skeletal muscle meat of cattle below 30 months age should be permitted to trade regardless of the BSE-status of the country). However, decree 20/2009 allows the imports of meat from a country with a BSE-controlled risk-status, provided that the country and the establishment pass an evaluation by the Ministry. Imports of beef from the EU to Indonesia are currently approved from only one EU Member State, Ireland, which passed the evaluation process (although in practice trade is not flowing yet). Several other interested EU Member States have also applied, but have not been able to finish the evaluation process yet. The evaluation process is burdensome and non-transparent and the criteria for approval are unclear, thus resulting in a long procedure.
11. *Other diseases*: Indonesia also requires an absence of certain diseases in a country or establishment for which the International Veterinary Health Organisation (OIE) does not consider measures necessary.
12. The new *Law 18/2009 on livestock and animal health* was introduced in July 2009 and has many implications for trade in animal products. The Law requires the Ministry of Agriculture to evaluate each country and establishment exporting animal-related products to Indonesia, which includes the submission of an extensive questionnaire by each plant. Imports would only take place in case domestic supply is insufficient to fulfil the demand. The Constitutional Court Decree No 137/PUU-VII/2009 has objected Article 59 and Article 68 of Act No 18/2009 about Livestock and Health Veterinary.
13. *Dairy imports*: For dairy products, a country and establishment approval is also required (starting summer 2009, with the Law 18/2009). This system has not been pre-announced, thus the time-frame is unreasonably short and makes it unneces-

sarily difficult for exporters to comply with. More recently, Indonesia implemented a new BPOM decree on maximum limits for residues in food products. EU dairy exporters have complained that currently all consignments of dairy products are tested for heavy metals.

Indonesia is requested to apply its transparency requirements under international (WTO) trade agreements and bring its import conditions related to meat and dairy products in line with international standards. The European Union is willing to support Indonesia in adopting a constructive approach towards food safety of imports, implementing efficient controls supported by the appropriate international standards and guidelines.

Indonesia is furthermore encouraged to recognize the high standards and guarantees offered by the EU's harmonized and strict BSE and animal health control and surveillance programs. Consequently it should accord the same import conditions for products coming from all EU Member States without going through an unnecessary burdensome and lengthy accreditation process for each country and establishment. This would reciprocate the EU's treatment of Indonesian exports of fish, meat and agriculture products to the EU, through an approach of pre-listing, whereby each establishment does not have to be visited by Indonesian inspectors. The pre-listing system will also be in the interest of Indonesia because it would free inspection resources for other control tasks.

14. *Alcohol.* Changes to the existing system for imposing taxes on alcohol and the lifting of import monopolies are welcomed. It is noted that the very high existing rates of tax encourage illegal importation and production of alcoholic drinks, with consequential loss of revenue, and also inhibit Indonesia's competitiveness as an international tourism destination. The Indonesian Government is encouraged to consider a move away from existing value based taxes (e.g., the luxury sales tax), and instead to a system for taxing alcohol products based on alcohol content. At the same time, the Indonesian Government needs to ensure that rates of tax are set at a level which encourage compliance and inhibit illegal imports i.e., the tax rate cannot be so high that the incentive for illegal imports remains high.

In April 2010, the Indonesian Government took some positive steps to reform the customs and excise structure for alcohol beverages. The luxury sales tax was removed, customs duties were amended to specific tax (on a per liter basis) and the

excise structure was simplified, all of which are to be applauded as fostering an open and transparent trading environment. Despite these constructive developments there continues to be anomalies in the tax structure and significant barriers to trade that not only restrict legitimate industry operations but are inconsistent with international best practice.

First, whilst Indonesia applies strict import quotas for all alcohol, the *actual* import levels (i.e. demand for alcohol) are considerably higher than the quota limits. For instance, according to the IWSR there were 407,000 cases of spirits imported into Indonesia in 2009, but the official quota for imported spirits is only 20,000 cases. It follows that the quotas simply encourage high levels of alcohol smuggling and counterfeit activity leading to significant revenue leakage. The Indonesian Government is encouraged to eliminate or at least substantially lift the import quota limits. By broadening the legitimate imported alcohol market, the tax base will be strengthened which will help boost government tax revenue, whilst reducing criminal activities in the market.

Second, the Indonesian Government is strongly encouraged to further reform its excise structure to remove the discriminatory rates applied on imported alcohol beverages above 5% alcohol by volume (above). Currently, imported products above 5% above (Categories B and C) have higher specific rates than domestic products, and may therefore be in breach of WTO rules.

Third, due to the negative investment list international companies are not permitted to legally trade and operate in alcohol beverage products nor hold equity in private companies involved in the manufacturing or distribution of alcohol in Indonesia. The EU recommends that Indonesia removes this unfair restriction to help legitimize the importation of alcohol products into Indonesia, much of which come into the country non-tax paid (through smuggling and counterfeit). Foreign investment will facilitate tax revenue collections, employment and economic activity. Fourth, Indonesia currently restricts alcohol import licenses to only nine entities (up from one, before April 2010). This regulatory burden greatly reduces the opportunity to import into Indonesia and most certainly increases the cost to consumers of alcohol. It is a restriction on trade and distorts commercially sound and efficient business route to market decisions being made.

The European business community believes that addressing these issues should be a priority for the Indonesian Government. Removing restrictive barriers to trade

and easing of regulatory rules will help create the right competitive environment to strengthen economic activity and increase revenue collections. A more simple tax regime that provides a level playing field for imported alcohol will help minimize non-tax paid activity, broaden the taxable base to grow revenue and will support a responsible drinking environment. Enhancing the availability and distribution of quality and international recognized alcohol beverages will also support international tourism into Indonesia and increase employment in the services/hospitality sectors.

15. The *pre-inspection regulations (Decree 56:2008)* are also not clear leading to different interpretations as well as longer lead-time and costs.
  
16. The new *Horticulture Law* limits foreign ownership of companies in the horticulture sector to 30% and requires foreign investment companies to reduce their shareholding to 30% within 4 years. Not only does this send a signal to foreign investors that ownership regulations can be changed at any time, it will also deter foreign investment and the technological expertise that comes with it. The result will be counterproductive to increase Indonesia's competitiveness in growing fruits and vegetables.

International regulations, standards and principles should be applied as much as possible. The use of ASEAN standards in all aspects of product standardization would help to reduce costs and generate economies of scale for exporting industries. BPOM should set standards on contaminants following the Codex Alimentarius, EU regulations or USFDA. Cooperation with FDAs of other countries should be intensified. The EU Commission would be pleased to establish closer contact with the European FDA to exchange know how. New regulations should be circulated as draft to all affected parties before implementation and not drafted and issued based on input from one "expert" only. This would improve the quality of the regulations.

## 2.2 European Union

For Indonesian exporters shipping processed agro food products to the EU markets, the following are the general and specific market access issues in agro food products:

1. *Tariffs.* Import duties are applied to specified goods imported into the European Union in order to raise the world market price to the EU target price. Duty rates vary between 0 and 16.9% across individual products. Import quotas restrict the amount of food imported into the European Union.
2. *General Sanitary and Phytosanitary Measures,* setting control standards over food and food product hygiene, animal health and welfare, plant health. It also provides rules on appropriate labeling for these foodstuffs and food products. This policy follows a so-called 'From the Farm to the Fork' approach that ensures a high level of safety for foodstuffs and food products at all stages of the production and distribution chains.
3. *Environmental Regulations:* The principal components of the environmental legislation relating to the processed foods industry are (a) Integrated Pollution Prevention and Control Directive; (b) Directive on Packaging and Packaging Waste; (c) Framework Directive on Waste; and (d) Climate Change known as the Emission Trading Scheme (ETS). The current ETS is compulsory for large food and drink companies, and is intended to reduce greenhouse gas (GHG) emissions caused by large installations at least cost.
4. *Residue standards* that the EU applies in tropical fruits and wooden packaging, which are in some cases extremely strict and prohibitively difficult to comply with for Indonesian companies.
5. *NGO activities* in Europe against environmental issues in some products are counterproductive in that they lead to disruptions in trade without offering realistic solutions. Examples include palm oil, cocoa and the traceability of eggs used in biscuits.

There are also a number of specific issues affecting the Indonesian exports of fishery products to the European Union:

1. *Tariffs:* The GSP rates range from a low of zero for some products to a high of 18 to 19.5% in the case of some products like fresh, chilled or frozen sardines, some tunas like long-finned and yellow-fin tuna, and skipjack or stripe-bellied bonito.
2. *Control over Illegal Fishing:* Imports of fishery products must be accompanied by a catch certificate to demonstrate that the products concerned do not originate from illegal, unreported and unregulated (IUU) fishing.
3. *Official certification, requirements* for fishery products into the European Union, based on the recognition of the competent authority in the country by the European Commission. Specific conditions apply for imports of live or processed bivalve mollusks (e.g. mussels and clams), echinoderms (e.g. sea urchins) or marine gastropods (e.g. sea-snails and conchs). These imports are only permitted if they originate from approved and listed production areas.
4. The national authorities of Indonesia are required to give guarantees on the classification of fishery products and the close monitoring of the production zones to exclude contamination with certain marine biotoxins causing shellfish poisoning. In the case of aquaculture products, a control plan on heavy metals, contaminants, residues of pesticides and veterinary drugs must be in place to verify compliance with EU requirements.
5. Imports are only authorized from approved vessels and establishments like processing plants, freezer or factory vessels, cold stores that have been inspected by the competent authority of the exporting country and found to meet EU requirements. Indonesia's establishments providing fishery products are on the European Commission's Third Country Establishments List and those establishments are therefore able to export to the EU market.

Inspections by the Commission's Food and Veterinary Office are necessary to confirm compliance with the above requirements. Border inspections are carried out, the frequency of which depends on the risk profile of the product and also on the results of previous checks.

The increasing cost of testing for exporting to EU is a burden to the Indonesian exporter. In accordance with the new regulation, at least 20% of Indonesian shrimps entering the EU must be tested in the port entry. The test consists of an antibiotic test, chloramphenicol, metabolite of nitrofurantoin and metabolite tetracyclines (at least tetracycline, oxytetracycline, and chlortetracycline). This policy has led to some additional cost. The cost for the testing itself is quite significant. For a couple of years, no RSAPP due to the existence of these antibiotic elements has been found. The respective institutions in problem are the Ministry for Marine Affairs and Fisheries, SCI, KUI and AP5I.

A number of issues affecting exports have domestic origins and need to be addressed by the various institutions in Indonesia:

1. Fish Processing Unit ["Unit Pengolah Ikan-("UPI")] are experiencing a decline in volume and quality of production. The decrease of fresh shrimp supply from intensive, semi intensive and traditional embankments is not in line with the needs of UPI. This situation causes the price to go up beyond the normal sales price to the importer. UPI are experiencing losses because some orders from the buyer can not be met and shipments are delayed. Seeing this condition, the follow up action that can be made is by motivating the farmer to increase their shrimp breeding as well as to support new farmers to breed shrimps. The respective institution in this problem is DKP SCI KUI AP5I.
2. According to unverified rumors in media, Indonesian shrimps are affected by a virus. Indonesia shrimps are actually not affected by this virus. The shrimp diseases are something usual and there are no farmers experiencing losses due to the viruses as reported in the foreign media. The implication of this misleading information is that the image of Indonesian shrimp has decreased in the eye of buyer and buyers have tended to divert their orders to other countries like Thailand and Vietnam. The proposed follow up action with regard to this problem is to counter the news in the foreign media, and request the parties circulating misleading information to prove their claims.
3. The integration of national embankment management needs to be increased. An integrated development and collaboration among the farmers, livestock food producers, medicine suppliers, UPI and government is needed, including a dialogue to



further discuss the increase of shrimp breeding. The business players in the national shrimp industry still act individually. The implication of this situation is a mismatch between the farmers (SCI), manufacturers (AP5I), and the medicine and food livestock suppliers to develop a lucrative business together. The follow-up action toward this problem is to have a common vision and mission. The respective institution in this issue is AP5I.

4. The supply of good seeds to farmers is still low. A good seed can be supplied from certain hatcheries to meet the needs of the embankment farmer. The low supply of good seeds has affected the farmer to get a good seed in the needed amount. An open dialog needs to be conducted among all stakeholders to solve this problem.
5. If the problem of low supply of shrimp can not be met in line with market demand then significant losses will be incurred. The UPI's production capacity is decreasing, margins are turning negative, and the increasing operational cost will negatively affect embankment businesses. It needs an integrated and fast action from stakeholders to solve this problem.

### **3. Example of a Successful European Company in the Food and Beverages Industry in Indonesia : PT Frisian Flag Indonesia**

PT Frisian Flag Indonesia was established in 1968. Nevertheless the company commonly referred to as Susu Bendera has already served Indonesia for 88 years and has been the market leader ever since.

Frisian Flag Indonesia operates two state-of-the art production facilities in Pasar Rebo (built in 1969) and Ciracas (built in 1973), both in Jakarta, for the brands Frisian Flag, Yes! and Omela. Currently, the company produces sweetened condensed milk, ready to drink milk and powder milk specialties. The company employs more than 4,500 people spread all over the country.

Frisian Flag is a part of Royal FrieslandCampina, the world's largest dairy cooperative based in Netherlands with 16,000 farmer-members across 3 countries and 22,000 employees present in over 100 markets around the world. As part of this global family, Frisian Flag

Indonesia not only adheres to local regulation but also to international standards. The company is certified ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, CODEX standard and received halal certification from the Indonesian Ulema Council.

The company also provides development and technical assistance to the dairy farmers of Java. It believes that milk quality is not only a result of machines but rather begins with the health of the cows, the cleanliness of the barn and the nutritional value of the cow feed. The program was initiated in 1996 and has been conducted in Lembang, West Java and Boyolali, East Java. Consequently, those regions are now reputed for producing the best quality fresh milk. A similar program is currently being implemented in Pengalengan, West Java. These programs are conducted in cooperation with GKSI (Indonesian Association of Dairy Milk Cooperatives) and the Dutch Embassy in Jakarta.

As the foremost milk producer in Indonesia, Frisian Flag Indonesia always strives to produce high quality yet affordable milk for all levels of the Indonesian Society. Beyond producing milk, the company also actively provides education for the community to increase their understanding of nutrition, for the ultimate goal of improving the health and quality of Indonesia's human resources.