



**TPSA** | CANADA-INDONESIA TRADE AND  
PRIVATE SECTOR ASSISTANCE PROJECT

Report  
May 2017

# Investment Opportunities in Indonesia:

## Food and Agri-Business

**Canada**

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**WAVTEQ**

**BKPM**

INDONESIA INVESTMENT COORDINATING BOARD

## **Investment Opportunities in Indonesia: Food and Agri-Business**

Prepared by WAVTEQ

WAVTEQ is a global consulting and technology company focused on helping governments worldwide attract foreign direct investment (FDI).

### **About the TPSA Project**

The Canada–Indonesia Trade and Private Sector Assistance (TPSA) Project is a five-year, C\$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Indonesian Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector (particularly small- and medium-sized enterprises, or SMEs), academics, and civil-society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support greater sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.

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## EXECUTIVE SUMMARY

The Canada–Indonesia Trade and Private Sector Assistance (TPSA) project has as a key objective to increase investment by Canadian firms in Indonesia. The TPSA project is funded by the Government of Canada through Global Affairs Canada and managed by The Conference Board of Canada (CBoC). The ultimate goal of the TPSA project is to reduce poverty and increase sustainable economic growth in Indonesia through the expansion of Indonesian trade with Canada and the encouragement of Canadian investment in Indonesia.

This report provides a summary of investment opportunities for Canadian companies in Indonesia's food and agri-business sector.

Foreign investors across all industries are paying closer attention to the investment opportunities in Indonesia due to the size and growth of the economy, accessibility to the huge ASEAN market of 600 million people, and because Indonesia is becoming more pro-business and actively seeking foreign investment, including in sectors that were until very recently closed or partially closed to foreign investors.

Already the largest economy in ASEAN, Indonesia's GDP is forecast to increase from US\$862 billion in 2015 to US\$2.2 trillion in 2025. By 2025, Indonesia's economy will be nearly the same size as Canada's economy (forecast to be US\$2.6 trillion in 2025) and will be larger than India's economy was in 2015. Indonesia has a population of over 260 million, which is forecast to increase to 308 million by 2030. Just the increase in Indonesia's population is nearly the same size as Thailand's population.

These numbers in themselves demonstrate why foreign investors should be looking at Indonesia and, in fact, FDI into Indonesia is booming, increasing from US\$16.2 billion in 2010 to nearly US\$30 billion annually from 2013 to 2016.

The food and agri-business sector is one of the growth hotspots in Indonesia and a sector that needs foreign investment. The total market demand for food and beverages in Indonesia is expected to reach nearly US\$230 billion in 2016 and US\$330 billion in 2020. According to the Economist Intelligence Unit, the value of the food demand is expected to grow at a compound average growth rate of 9.93% per year between 2016 and 2020.

The growth in the food and agri-business sector creates FDI opportunities for many products. The dairy sector in particular has been identified as a key foreign investment opportunity. Indonesia has seen progressive growth in milk consumption from 9.77 liters per capita in 2008 to 16 liters per capita forecast for 2016, but domestic supply of dairy products is estimated to be around 20% of total demand.

Foreign investors in Indonesia are very positive about the opportunities. In a 2016 survey of Canadian investors in Indonesia, agri-business was ranked third in terms of FDI opportunities for Canadian investors; 90% of existing Canadian investors are planning to re-invest in Indonesia and 85% of Canadian investors would recommend other companies to invest. The time is right to scope out the investment opportunities in Indonesia.

## INDONESIA COUNTRY SNAPSHOT

### Indonesia by the Numbers

Indonesia is one of the largest and fastest growing emerging markets in the world. Indonesia is the largest economy in ASEAN and Indonesia's GDP is forecast to increase from US\$862 billion in 2015 to US\$2.2 trillion in 2025. By 2025, Indonesia's economy will be nearly the same size as Canada's economy (forecast to be US\$2.6 trillion in 2025) and will be larger than India's economy was in 2015, which indicates the size of opportunity.

### Indonesia by the Numbers

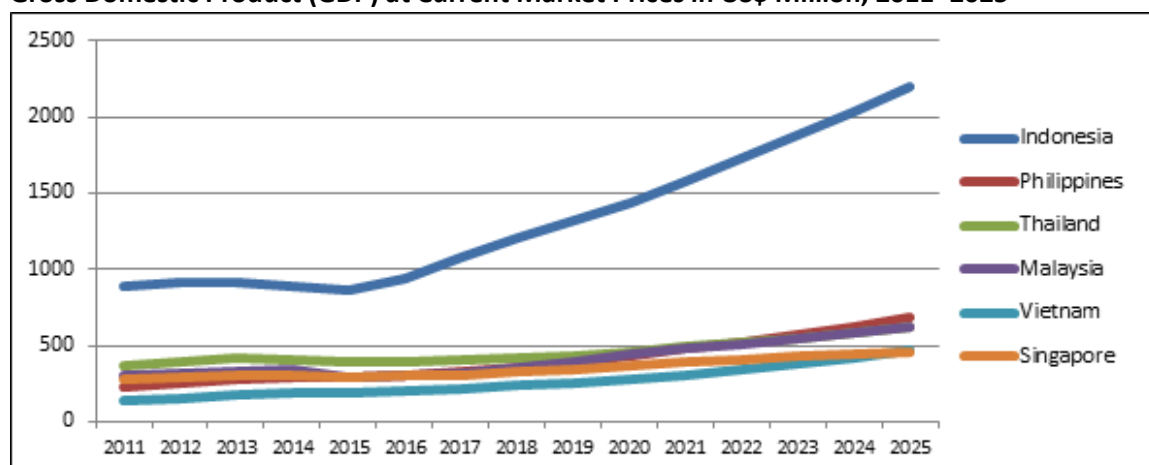


Source: WAVTEQ.

### Economic Growth and Performance

As the chart below shows, Indonesia's economy started taking off in 2015. Now is the time companies should be considering investing in Indonesia to take advantage of the huge growth forecast in the economy, with almost US\$1 trillion expected to be added to the economy over the next seven years (2017–2024).

Gross Domestic Product (GDP) at Current Market Prices in US\$ Million, 2011–2025

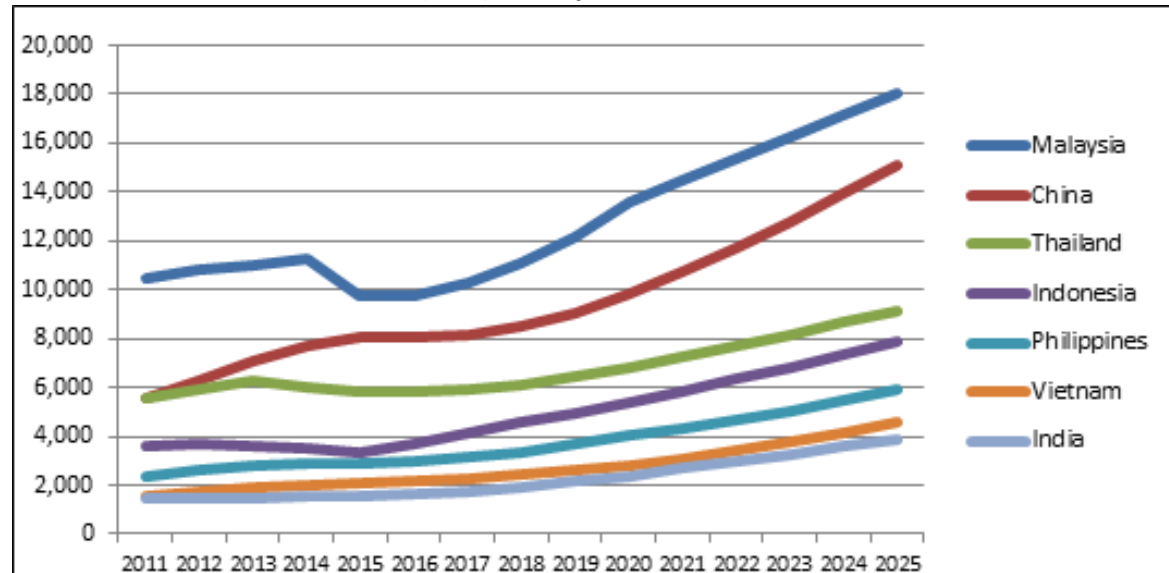


Source: EIU, June 2016



Out of the major economies in ASEAN, Indonesia has the fourth highest GDP per capita, which is forecast to more than double from US\$3370 in 2015 to US\$7840 in 2025. Rising income levels and large and growing middle- and high-income families are driving growth in demand across all industries.

#### Nominal Gross Domestic Product (GDP) Per Capita in US\$, 2011–2025

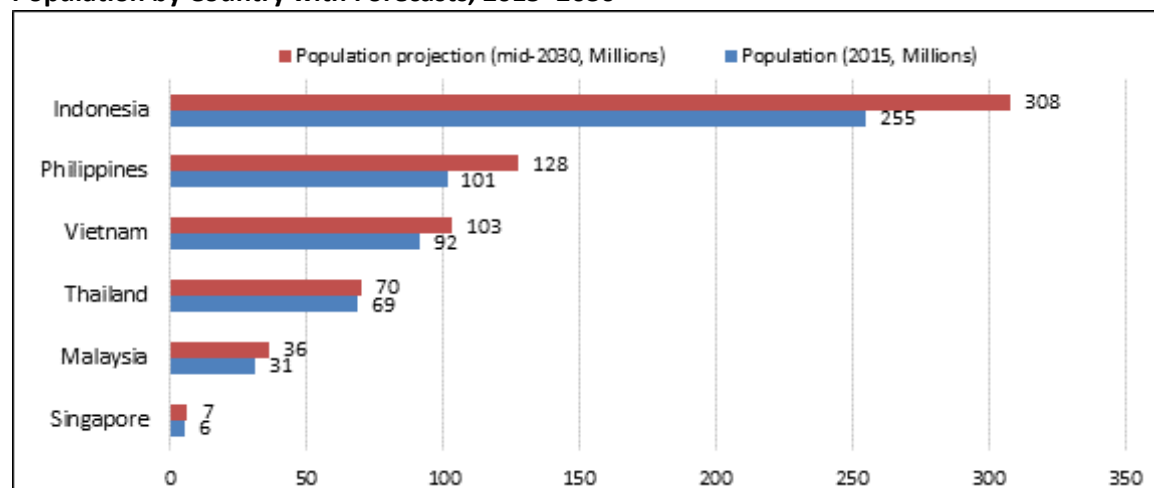


Source: EIU, June 2016.

#### Population and Skills

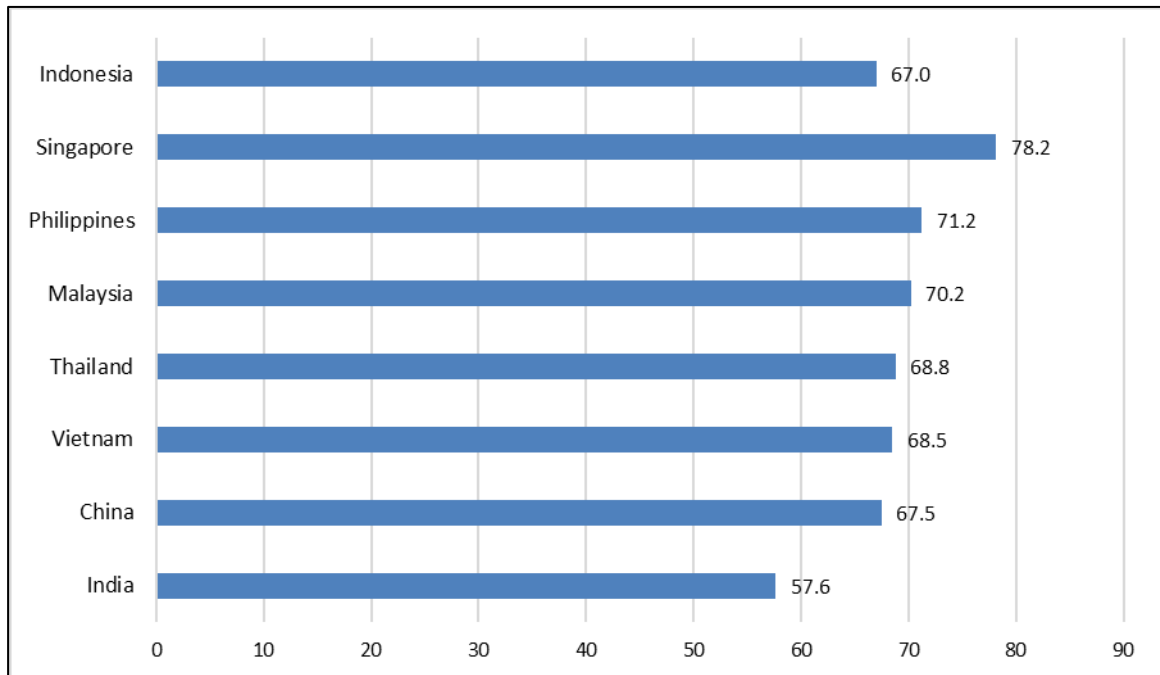
Indonesia has a population of over 260 million, which is forecast to increase to 308 million by 2030. Just the increase in Indonesia's population is nearly the same size as Thailand's population and far bigger than Malaysia's. Combined with rising disposable incomes, Indonesia's population size and growth makes Indonesia a highly attractive consumer market.

#### Population by Country with Forecasts, 2015–2030



Source: International Monetary Fund (country); national statistics (sub-national) (fDi Benchmark 2016) and Population Reference Bureau World Population Data Sheet (fDi Benchmark 2016).

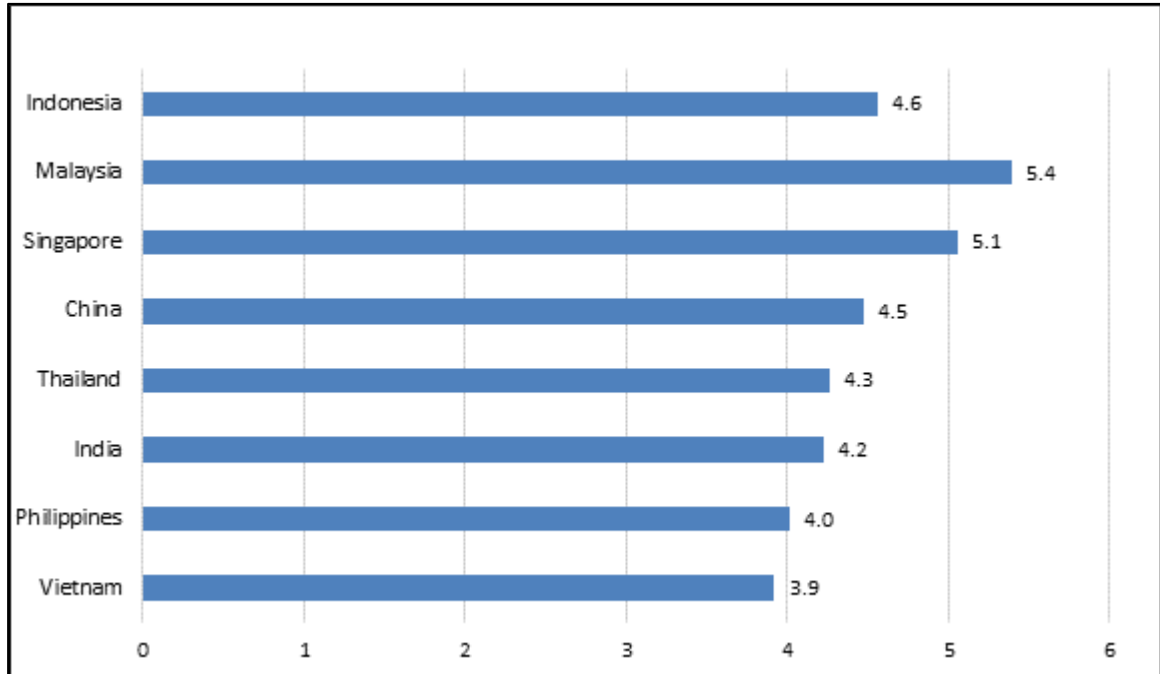
### Human Capital Index, 2015<sup>1</sup>



Source: The Human Capital Report, World Economic Forum, Switzerland, 2015

Indonesia is rated as having a better availability of scientists and engineers than other countries in ASEAN except Malaysia and Singapore. Indonesia is also ranked higher than China and India.

### Availability of Scientists and Engineers (index out of 7), 2015<sup>2</sup>



Source: Global Competitiveness Report, World Economic Forum, Switzerland, 2015-16.

<sup>1</sup> The Human Capital Index covers 46 indicators. Half of these are the result of disaggregating by education indicators and labour market indicators. For more information see: <http://reports.weforum.org/human-capital-report-2015/measuring-human-capital/>.

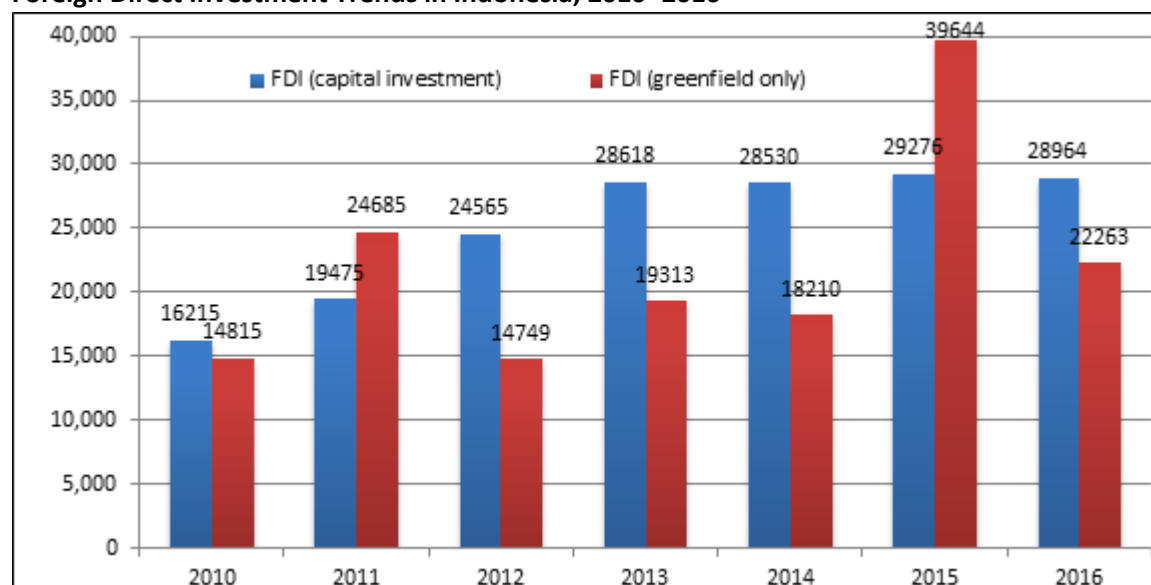
<sup>2</sup> Based on an annual survey of over 14,000 executives.

## FOREIGN DIRECT INVESTMENT IN INDONESIA

### FDI Trends

FDI into Indonesia has increased significantly from US\$16.2 billion in 2010 to nearly US\$30 billion a year from 2013 to 2016, according to official FDI data from BKPM. Greenfield FDI has also increased rapidly from US\$14.8 billion of announced FDI projects to nearly US\$40 billion in 2015, based on data from the Financial Times.<sup>3</sup>

#### Foreign Direct Investment Trends in Indonesia, 2010–2016



Source: FDI capital investment data from BKPM and FDI greenfield FDI data from fDi Markets from the Financial Times Limited.

The table below shows FDI into Indonesia by major industry group. From 2011-2015, the industry group Energy, Mining, Minerals & Utilities attracted the biggest volume of FDI and second largest volume of greenfield investment. Agri-business, Forestry & Wood Products was the second leading sector for FDI measured by both total capital investment and number of FDI projects.

#### FDI by major industry group (inward FDI into Indonesia and outward FDI from Canada), 2011–2015

Industry sector grouping	FDI INTO INDONESIA			
	FDI (capital investment)		FDI (greenfield only)	
	# Projects	US\$ million	# Projects	US\$ millions
Energy, Mining, Minerals & Utilities	4607	34629	43	24169
<b>Agri-Business, Forestry &amp; Wood Products</b>	<b>6287</b>	<b>19086</b>	<b>77</b>	<b>4623</b>
Transportation & Warehousing	1098	14348	69	4855
Machinery, Metals, Electronics & Related	3942	13202	134	30563
Chemicals & Life Sciences	2116	11659	61	13283
Transport Equipment	1705	10161	89	8391
Construction & Real Estate	2429	8338	41	7840
Paper, Printing & Packaging	499	4146	6	262
Textiles	2079	3459	11	704
Retail & Wholesale	10159	3408	60	1673
Plastics & Rubber	1348	2741	31	3884

<sup>3</sup> Note that greenfield FDI data is based on announcements of FDI projects, not the actual FDI capital being invested in the year of the announcement. For more information on the different methodologies of measuring FDI see: [www.fdiaccounting.com/methodology.cfm](http://www.fdiaccounting.com/methodology.cfm)



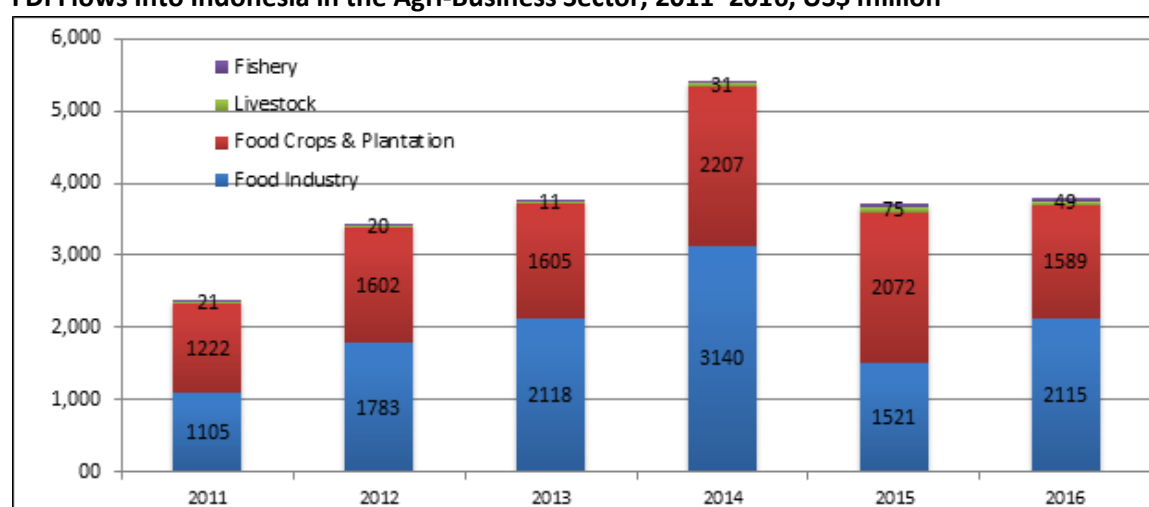
Tourism	2335	2636	22	1793
Other Services	5619	2137	221	5137
Other Industry	933	512	47	5246
<b>TOTAL</b>	<b>45156</b>	<b>130462</b>	<b>912</b>	<b>112424</b>

Source: WAVTEQ based on [www.fdimarkets.com](http://www.fdimarkets.com) and <http://www2.bkpm.go.id/en/investing-in-indonesia/statistic>.

## FDI in Agri-Business

FDI into the Agri-Business sector has grown significantly from US\$2.36 billion in 2011 to US\$5.41 billion in 2014 and an average of over US\$3.7 billion each year in 2015 and 2016. Food Industry has been the major recipient of FDI, with an average of over US\$2.2 billion FDI each year from 2013–2016, followed by FDI in Food Crops & Plantation, which has received an average of nearly US\$1.9 billion of FDI each year over the same period. FDI in Livestock and Fisheries is far lower, averaging US\$40–50 million each year from 2014–2016.

**FDI Flows Into Indonesia in the Agri-Business Sector, 2011–2016, US\$ million**



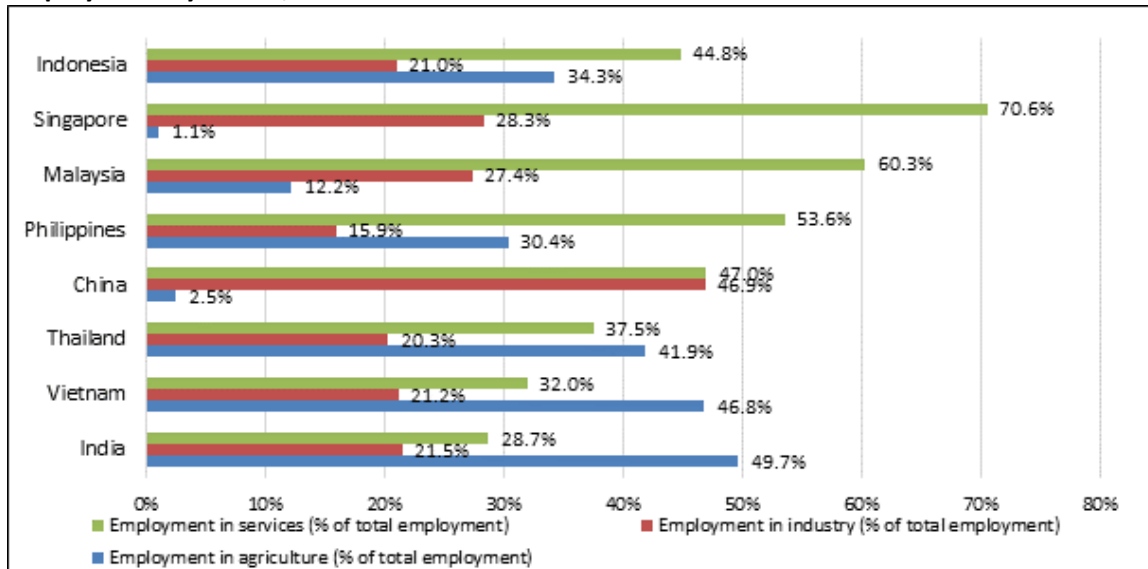
Source: WAVTEQ based on BKPM data.

## FOOD AND AGRI-BUSINESS IN INDONESIA

### Importance of Agri-Business in Indonesia

The next chart shows employment by sector in Indonesia compared to other countries. Indonesia has the second highest proportion of its employment in agriculture (34.3%), showing the importance of the sector.

## Employment by Sector, 2014

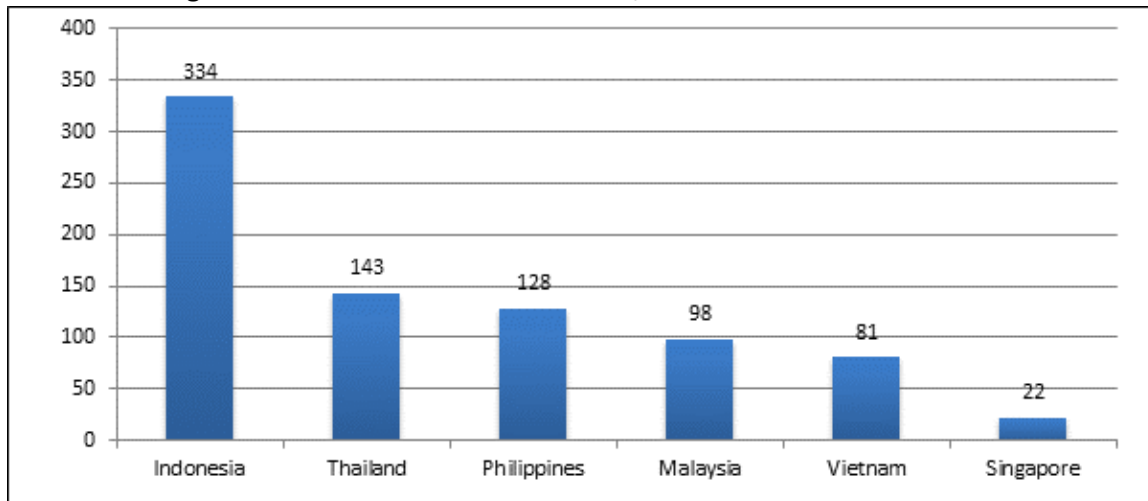


Source: World Bank World Development Indicators 2014.

## Size of the Indonesian Agri-Business Market

Total market demand for food & beverages in Indonesia is expected to reach nearly US\$230 billion in 2016 and US\$330 billion in 2020. According to the Economist Intelligence Unit, the value of the food demand is expected to grow at a compound average growth rate of 9.93% per year between 2016 and 2020.

## Food & Beverage: Forecast Market Demand in 2020, US\$ billion\*



\*Total market demand for meat, dairy, fish, fruit, vegetables, sugar, animal feed, animal and vegetable oils, processed food, alcoholic beverages, soft drinks and flavourings, and tobacco products in nominal US\$.

Source: WAVTEQ, based on EIU.

According to Business Monitor International (BMI), until 2018:<sup>4</sup>

- food consumption is forecast to grow by 7.6% per annum,
- soft drinks sales are forecast to grow by 9.3% per annum, and
- mass grocery sales are forecast to grow by 10.7%.

<sup>4</sup> <http://www.bmiresearch.com/>.

## Commodity Production

The total production of commodities in Indonesia increased 9.4% between 2012 and 2014, reaching 39,808 tons. The table below shows that the production of palm oil in Indonesia accounted for 73.7% (or 29,344 thousand tonnes) of total commodities production. Between 2012 and 2014, the production of palm oil grew by 12.8%, while rubber grew by 4.7% and coconut by 3.2%.

**Total Production by commodity, thousand tonnes, Indonesia, 2012–2014**

Commodity	2012	2013	2014	% of total commodities (2014)
Palm oil	26016	27782	29344	73.7
Rubber	3012	3237	3153	7.9
Coconut	2938	3052	3031	7.6
Cane	2593	2554	2575	6.5
Cocoa	741	721	709	1.8
Coffee	691	676	685	1.7
Tobacco	261	164	166	0.4
Tea	143	146	143	0.4
<b>Total</b>	<b>36395</b>	<b>38332</b>	<b>39808</b>	<b>100</b>

Source: WAVTEQ based on Indonesia National Statistics <https://www.bps.go.id/>.

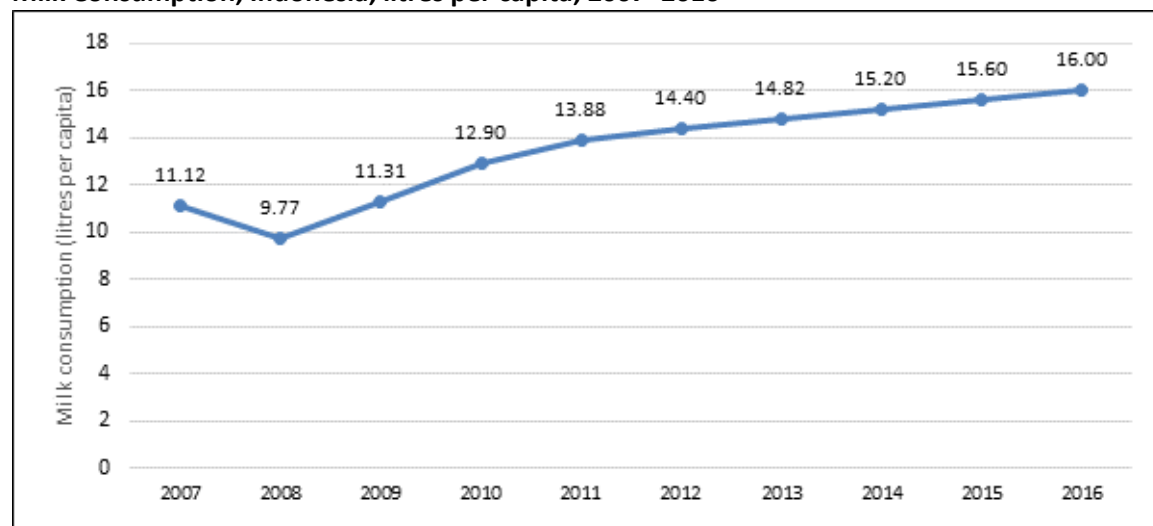
## Dairy Sector

### Production and consumption trends

Dairy consumption in Indonesia continues to outpace supply, opening the market to opportunities for foreign investors. The combination of urbanization, rising incomes, and the emergence of an educated, health savvy middle-class will continue to drive growth in dairy consumption, which in 2014 was 8 kilograms per capita.

Indonesia has seen progressive growth in milk consumption from 9.77 liters per capita in 2008 to 16 liters per capita forecast for 2016.

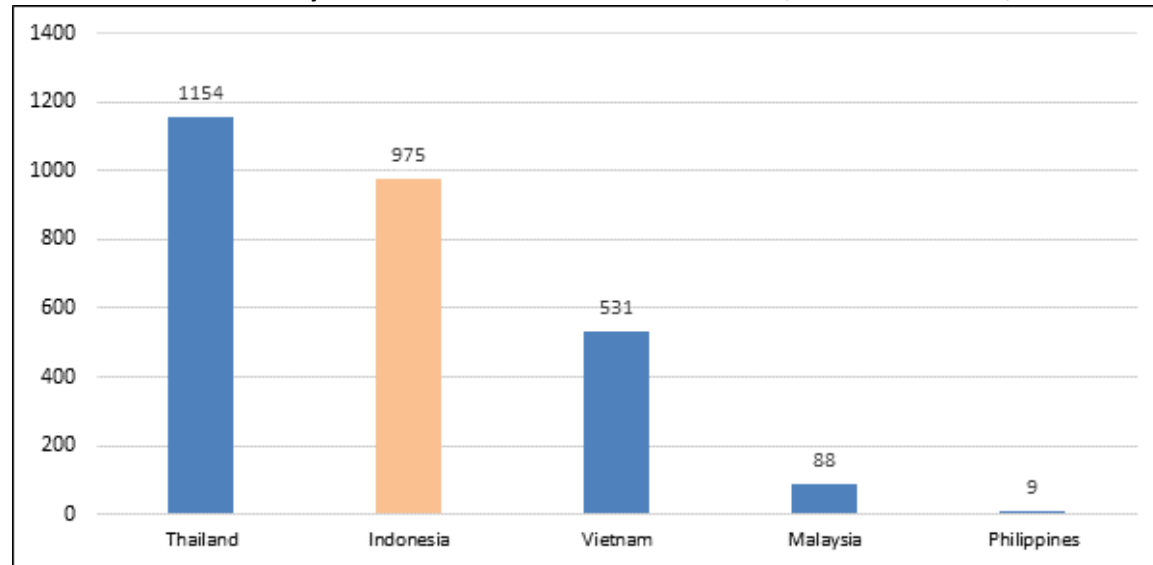
**Milk Consumption, Indonesia, litres per capita, 2007–2016**



Source: Economist Intelligence Unit Market Indicators and Forecasts.

Indonesia has the second largest production of fresh dairy products compared to the other selected ASEAN countries, as shown in the next chart. Indonesia's production of 975 thousand tonnes of fresh dairy products is 84% larger than Vietnam, and only 18% lower than Thailand.

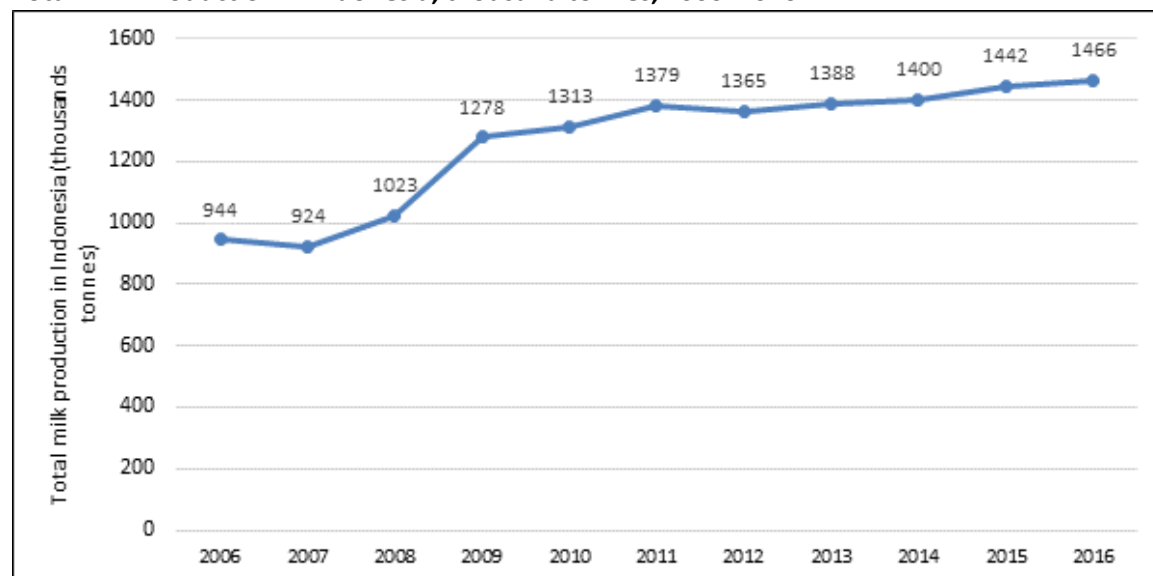
**Production of Fresh Dairy Products in Selected ASEAN countries, thousand tonnes, 2016**



Source: Organization for Economic Co-operation and Development (OECD), Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook, 2016. India: 101,236.45 China: 42,839.58 Singapore: N/A.

In Indonesia, milk production is one of the largest dairy products, and has seen strong growth. Between 2006 and 2016, the total growth of milk production was 55%.

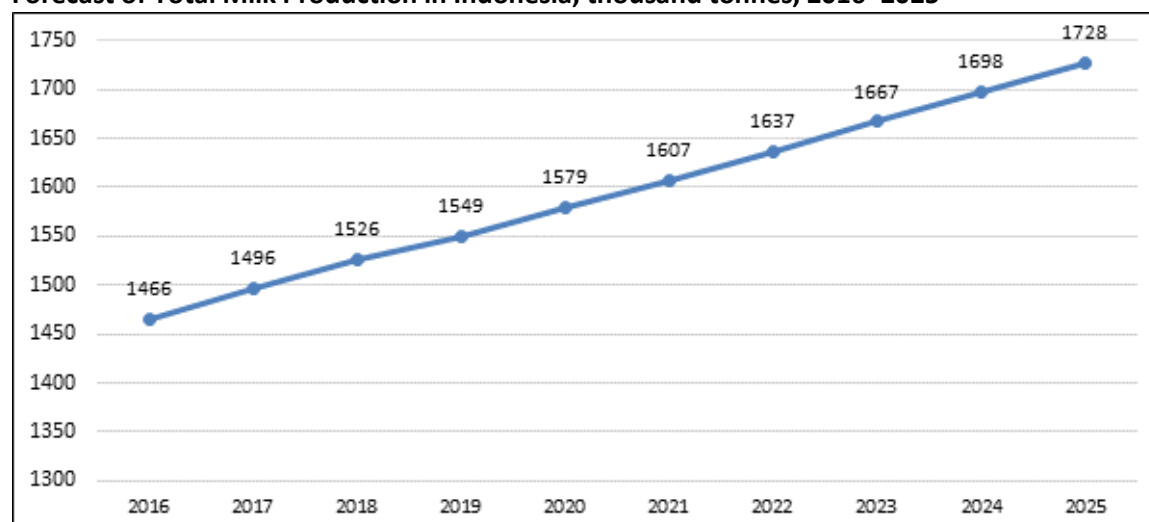
**Total Milk Production in Indonesia, thousand tonnes, 2006–2016**



Source: Organization for Economic Co-operation and Development (OECD), Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook, 2016.

The OECD forecasts strong growth in milk production, as shown in the next chart.

**Forecast of Total Milk Production in Indonesia, thousand tonnes, 2016–2025**

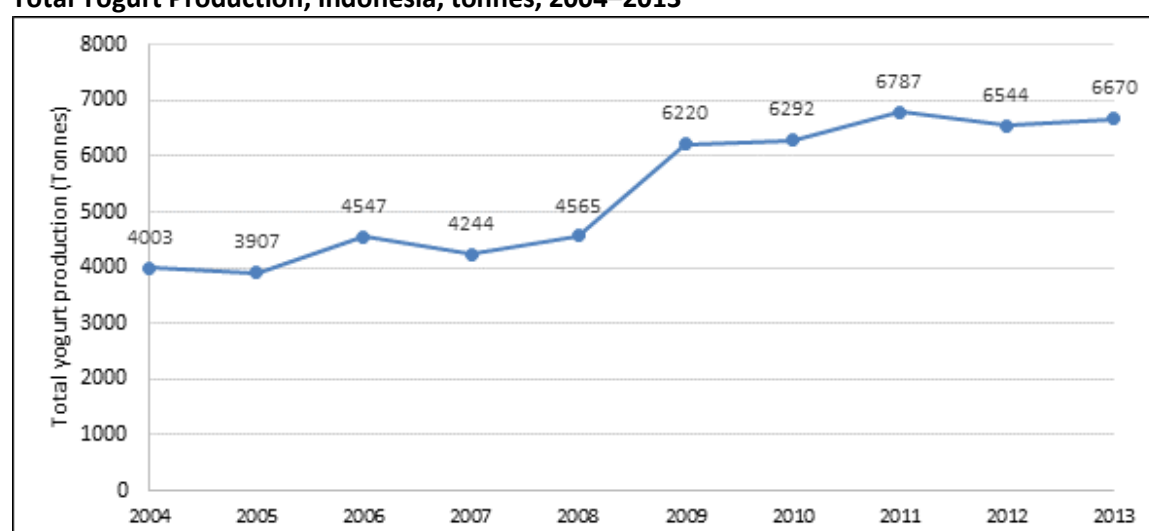


Source: Organization for Economic Co-operation and Development (OECD), Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook, 2016.

Domestic milk production is dominated by smallholders who usually own no more than five cows and are members of dairy cooperatives, who collect and sell the milk to processing companies. These small-scale processors of milk production can often have a low degree of efficiency and product quality. Production, at around 10 litres per day, is less than half of international norms (20 to 25 litres per day). Indonesian sweetened condensed milk manufacturers rely on imported whole milk powder to supplement protein content. There are major opportunities for foreign investors to invest in Indonesia to increase the efficiency and quality of dairy production and growing market demand.

In terms of other dairy products, yogurt is also a fast-growing market, as shown in the chart below.

**Total Yogurt Production, Indonesia, tonnes, 2004–2013**



Source: Food and Agricultural Organization of the United Nations <http://faostat3.fao.org/compare/E>.

### Export and import trends—local supply gaps

According to the Food and Agriculture Organization of the United Nations, Indonesia's imports of dairy products increased from 194 tons in 2006 to 255 tons in 2016, representing a growth of 31.7%

since 2006. However, Indonesia's exports of dairy products decreased 66.5% from 2006 to 2016. This indicates the potential for FDI to meet domestic market needs.

#### **Indonesia Total Imports and Exports of Dairy Products, thousand tonnes, 2006–2016**

<b>Year</b>	<b>Imports</b>	<b>Exports</b>
2006	193.53	25.40
2007	205.18	19.59
2008	181.30	42.62
2009	181.36	28.62
2010	205.39	19.57
2011	227.92	12.32
2012	233.58	10.75
2013	249.69	8.76
2014	237.45	9.79
2015	244.37	8.88
2016	254.97	8.52

Source: Organization for Economic Co-operation and Development (OECD), Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook 1970-2025, by commodity.

The Food and Agriculture Organization of the United Nations (FAO) has forecast the number of tonnes exported and imported of dairy products in Indonesia from 2016 to 2025.

The table below shows the forecast of dairy product imports and exports in Indonesia made by the OECD and FAO. The total growth rate of imports from 2016 to 2025 is around 28.40%. Conversely, exports are forecast to fall by 0.25% as local producers focus on domestic market opportunities.

#### **Number of Tonnes Exported and Imported of Dairy Products in Indonesia, thousand tonnes, 2016–2025**

<b>Years</b>	<b>Imports</b>	<b>Exports</b>
2016	254.97	8.52
2017	265.27	8.15
2018	272.53	7.92
2019	280.93	7.60
2020	288.31	7.38
2021	295.61	7.17
2022	303.22	6.96
2023	310.98	6.75
2024	319.00	6.56
2025	327.35	6.37

Source: Organization for Economic Co-operation and Development (OECD), Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook 1970-2025, by commodity.

Domestic supply is estimated to be around 20% of demand, with the shortfall being made up from imports, with Australia and New Zealand being primary exporters to Indonesia due to the presence of free-trade agreements, geographic proximity, and their industry strengths.

The large domestic market potential and westernizing diets in the fast-growing ASEAN region makes Indonesia an attractive hub for dairy manufacturing to export to ASEAN as well as for the domestic market.



## Investor case studies

The Indonesian processing industry of dairy products comprises both local and multinational companies. Regarding local companies, Indomilk/Indolakto and Ultra Jaya are the more important ones in the country. Danone, Frisian, Flag, and Nestle are some of the international companies that have a presence in Indonesia. However, PT Indolakto recently acquired Danone's local dairy unit.

The Indonesian Association of Milk Processors (IPS) represents the milk processing sector and five of its largest members have around 85% of Indonesia's milk production:

- Frisian Flag
- Nestle
- Ultra Jaya
- Indolakto / Indomilk

There are around 40 local and international companies involved in milk processing industry throughout Indonesia. According to the Milk Processing Industry Association (AIPS) they processed around 3.9 million tonnes of fresh milk in 2014. The table below shows the major dairy processors by type of product manufactured in Indonesia:

**Number of Major Dairy Processors by Type of Product, Indonesia, 2011**

Product	Number of companies	Examples of companies
Liquid	13	Ultra Jaya, Frisian Flag, Greenfield
Powdered	12	Nestle, Indomilk and Frisian Flag
Yoghurt	6	Yakult, Yummy, Diamon, Cimory
SCM	4	Frisian Flag, Indolakto
Ice-cream	4	Unilever, Inomilk, Campina, Diamond

Source: Report for International Finance Corporation on "Indonesia Dairy Industry Development."

### Nestle

- Nestle began operations in Indonesia in 1971. Nestle Indonesia now employs more than 3,300 employees.
- Operates four factories in Indonesia. One of them is located in East Java, which process dairy products.
- The factory located in Kejayan (East Java) expanded in 2010 and became one of the 10 largest plant in the world of Nestle Company.
- Currently, the factory located in East Java absorbs 700,000 litters daily of fresh milk from 33,000 dairy farmers in East Java.

### Ultra Jaya

- Established in 1958 at West Java. Then in 1971, PT Ultrajaya Milk Industry & Trading Company was established.
- Today, 90% of the company's total production volume is sold domestically throughout Indonesia.
- The remaining 10% is exported to various countries such as Australia, Cambodia, Nigeria, Saudi Arabia, South Korea, and the United States.
- Net sales in 2013 was IDR 3,460,231 million and in 2015 was IDR 4,393,933million.
- The company produces different kinds of products such as milk, tea, traditional drinks, and health drinks. The company has processing machines for each type of beverage products.

### Indomilk / Indolakto

- PT Indolakto is a subsidiary of PT Indofood CBP Sukses Makmur.
- In March 2007, PT. Indolakto got Charter Three Star Food Safety (Food Star Award) of POM Republic of Indonesia for its achievement in implementing a Food Safety Management System.
- The company's line of business includes fresh milk, UHT milk box, sweetened condensed, milk bottle liquid, and milk powder.
- At the end of 2014, Indofood struck a deal to acquire 100% of Danone Dairy Indonesia (DDI) through its local dairy subsidiary Indolakto.

### Frisian Flag

- Frisian Flag Indonesia (FFI) is a manufacturer of dairy-based nutritional products for children in Indonesia under Frisian Flag brand.
- It's a subsidiary of the international Dutch group Friesland Campina, specialist of dairy products.
- Operates two state-of-the-arts production facilities in Pasar Rebo and Ciracas, both in East Jakarta, with a broad portfolio of products such as liquid milk, milk powder, and sweetened condensed milk.
- According to the annual report 2015 of Friesland Campina, Frisian Flag was in second position in the top 10 consumer brands in revenue.

### Investor testimonials

"Beside China, Indonesia is the country will be looking at the most. The next two to three years are looking very, very promising market and we are looking forward to work with our customers very closely."

*Mr Niels Heyer,  
Managing Director in Indonesia, Big Dutchman*

"[Indonesia's] 45 million middle class consumers will triple by 2030. With the largest Muslim population in the world and a per capita consumption rate for poultry that's low by developed nation standards, it offers among the best long-term growth potential of any market."

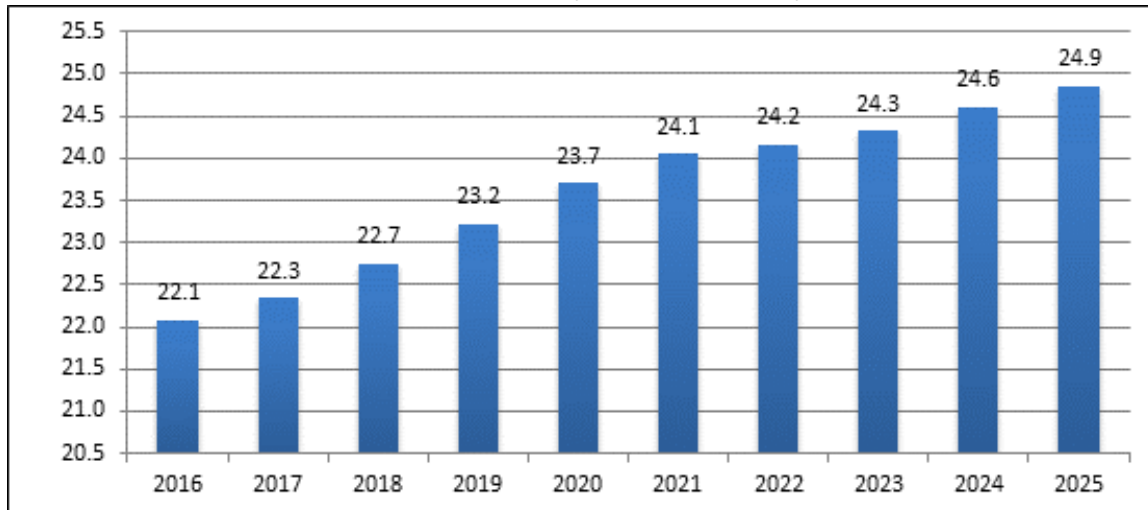
*Richard Wong  
Executive Vice President, Keystone Foods*

## Fisheries Sector

### Production and consumption trends

As the largest archipelago country in the world, Indonesia has huge potential and abundant wealth in its territorial waters. About 25% of global fisheries demand rely on this country's and the region's production. Indonesia is the world's Top 7 global exporter of canned and processed tuna. Indonesia produces mainly skipjack and yellowfin tuna. The government is targeting US\$9.5 billion in fisheries exports by 2019 and 7.2% annual growth of the fisheries sector.

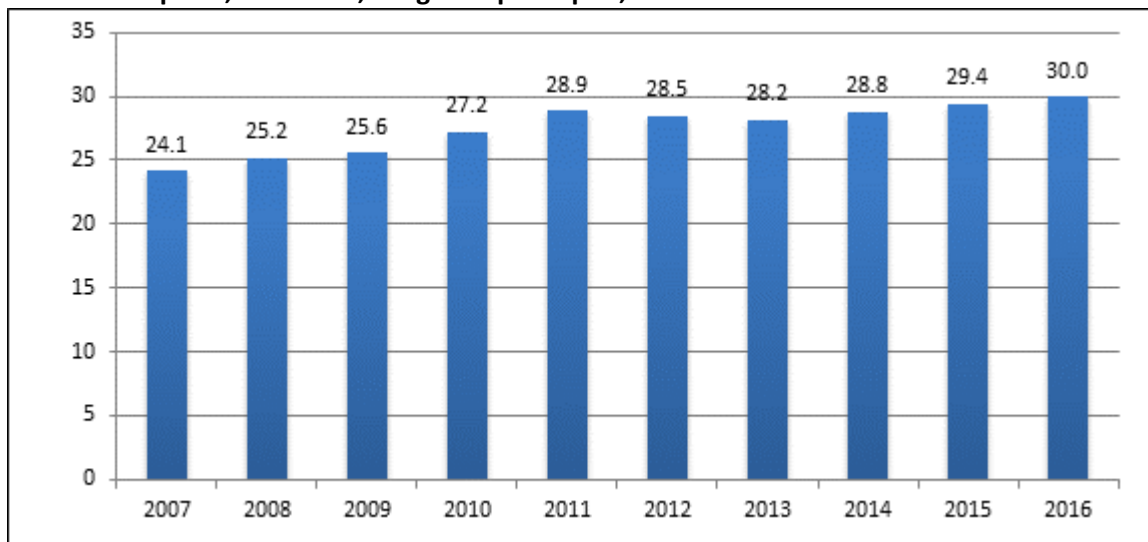
**Forecast Fish Products Production in Indonesia, thousand tonnes, 2016–2025**



Source: OECD, Food and Agriculture Organization of the United Nations (FAO) Agricultural Outlook, 2016.

Fish consumption is growing every year in Indonesia. With a population over 260 million this creates a large and growing market.

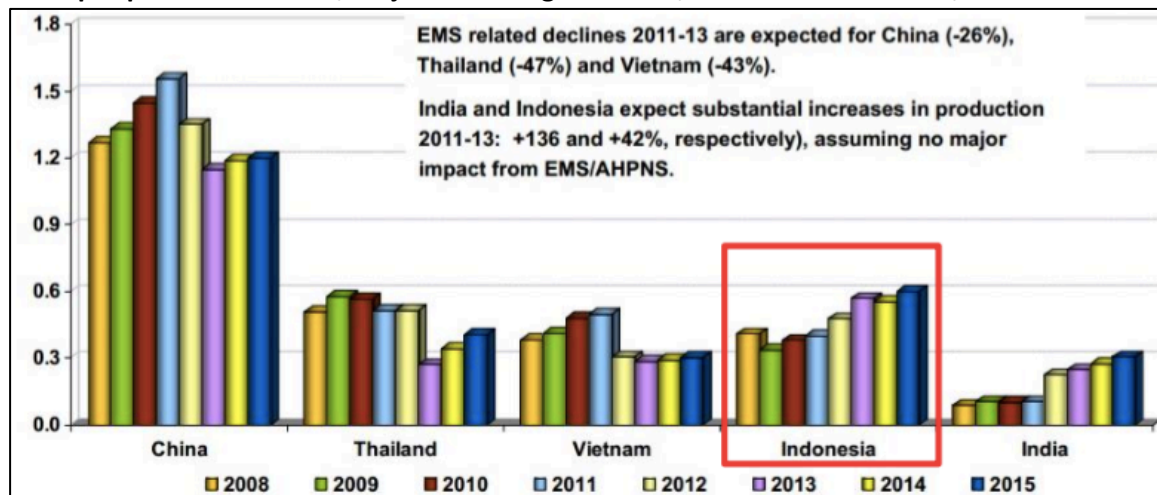
**Fish Consumption, Indonesia, kilograms per capita, 2007–2016**



Source: Economist Intelligence Unit Market Indicators and Forecasts

Indonesia is also a major shrimp producer. In 2013, 65% of total fisheries exports to the U.S. was shrimp, with a value of US\$900 million. Most Indonesian shrimp is exported in frozen form or with heads and shells removed.

## Shrimp Aquaculture in Asia, Major Producing Countries, million metric tonnes, 2008–2015



Source: KKP (2014).

## Investor case studies

### PT. Aquafarm Nusantara

- Originating from Switzerland, PT. Aquafarm Nusantara is a foreign investor that was initially established in 1988 in Central Java.
- Ten years into its investment, the company built a hatchery of 30 hectares in North Sumatra.
- Aquafarm has employed more than 4000 staff. The end product is a frozen tilapia fillet. The product is packed with a retail brand Regal Spring Tilapia.
- Only 10% of its tilapia products are consumed domestically. 83% is exported through the port of Belawan, with 55% of exports to Canada and the United States.

### PT Contained Energy Indonesia

- PT Contained Energy Indonesia has developed and successfully deployed stand-alone, off-grid, 100% solar-powered cold storage facilities, designed for use in remote communities.
- The project took place between 2013 and 2014.

## KEY STRENGTHS OF INDONESIA FOR FDI

A field trip to Indonesia was conducted in June 2016 to meet with Canadian and other investors and key stakeholders. Interviewees were asked to identify the three most important location determinants for FDI into Indonesia. The following chart shows that access to the Indonesian market and customers is considered the most important location determinant, with over 35% of respondents citing this factor as one of the top three location determinants. The next most important factors were access to the regional ASEAN market and access to natural resources.

### Key Location Determinants for FDI in Indonesia, % of respondents citing factor

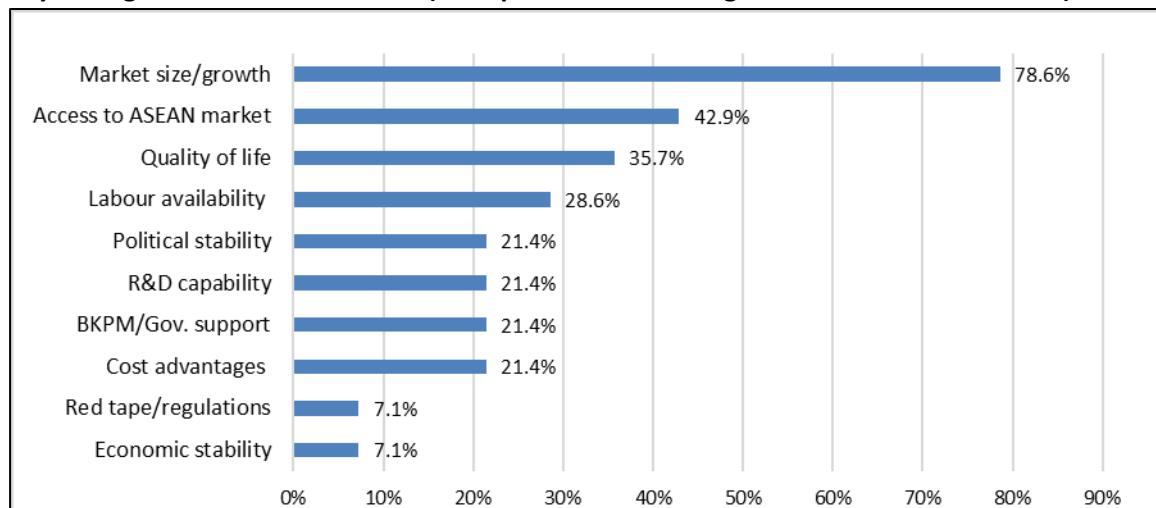


Source: WAVTEQ survey June 2016.

Respondents emphasized the size and growth of the Indonesian and ASEAN market and that the high-growth economy offers a good return on investment and new sources of revenue independent of global markets, especially related to infrastructure and energy demand in Indonesia. Finding a good local partner is seen as key to navigating the regulatory climate and getting operations up and running. When forming a local partnership, investors recommend extensive due diligence and putting arbitration offshore.

Respondents were asked to rank location factors on a scale of 1 to 5 (1=Indonesia is very weak, 5=Indonesia is excellent). The chart below shows the key strengths of Indonesia for FDI. Over three-quarters of respondents saw market size and growth as a key strength and over 40% of respondents saw access to ASEAN as a key strength. The quality of life in Indonesia was cited as a key strength by over one-third of respondents and labour availability by over one-quarter of respondents.

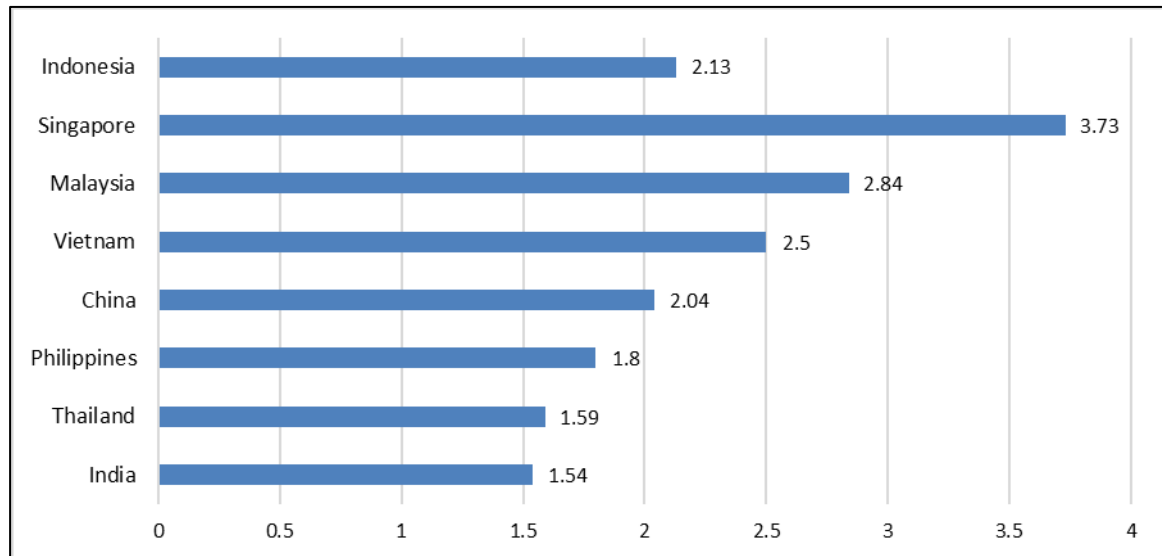
### Key Strengths of Indonesia for FDI (% respondents awarding the factor a score of 4 or 5)



Source: WAVTEQ survey June 2016.

Indonesia's overall political stability is evaluated as 2.13 out of a maximum of 4, which is below Singapore, Malaysia, and Vietnam but higher than China, Philippines, Thailand, and India.

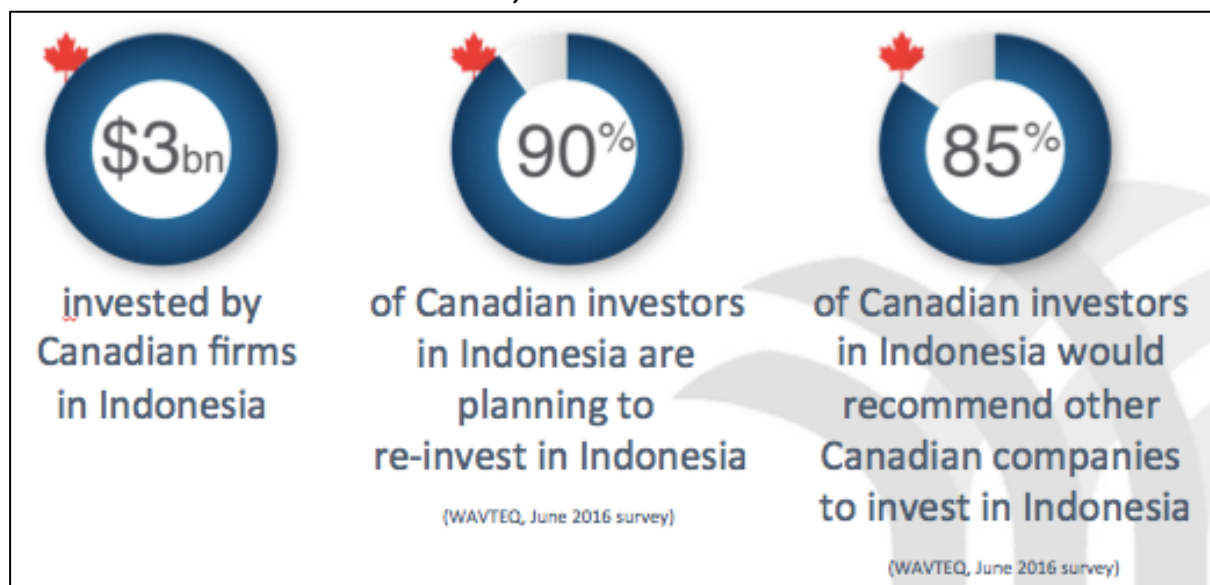
### Political Stability Index (out of 4), 2015



Source: fDi Benchmark (Based on Worldwide Governance Indicators 2016).

Canadian companies that have already invested in Indonesia are very positive about the investment opportunities, as shown in the feedback below. Investors highlighted the importance of understanding the local business culture and being in the market to succeed. They noted that the Indonesian culture is very welcoming and integrative and that there is easy access to government.

### Canadian Investor Feedback on Indonesia, 2016



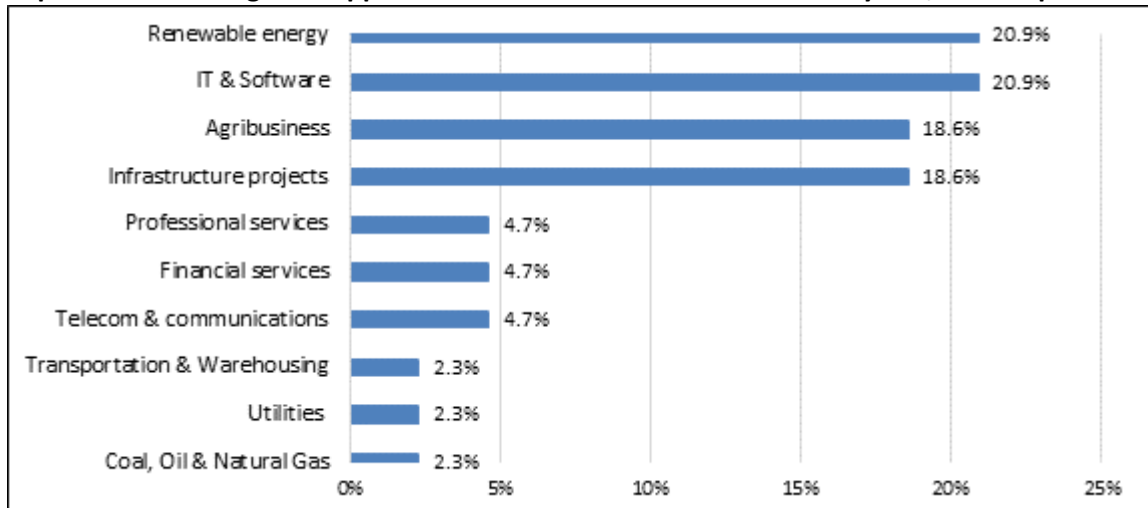
Source: WAVTEQ survey June 2016.

## KEY INVESTMENT OPPORTUNITIES

Canadian and other investors and key stakeholders were asked to identify the top three sectors where they saw the best opportunities for FDI into Indonesia over the next five years. Agri-business was ranked as one of the sectors where existing investors see the strongest FDI opportunities for Canadian companies.



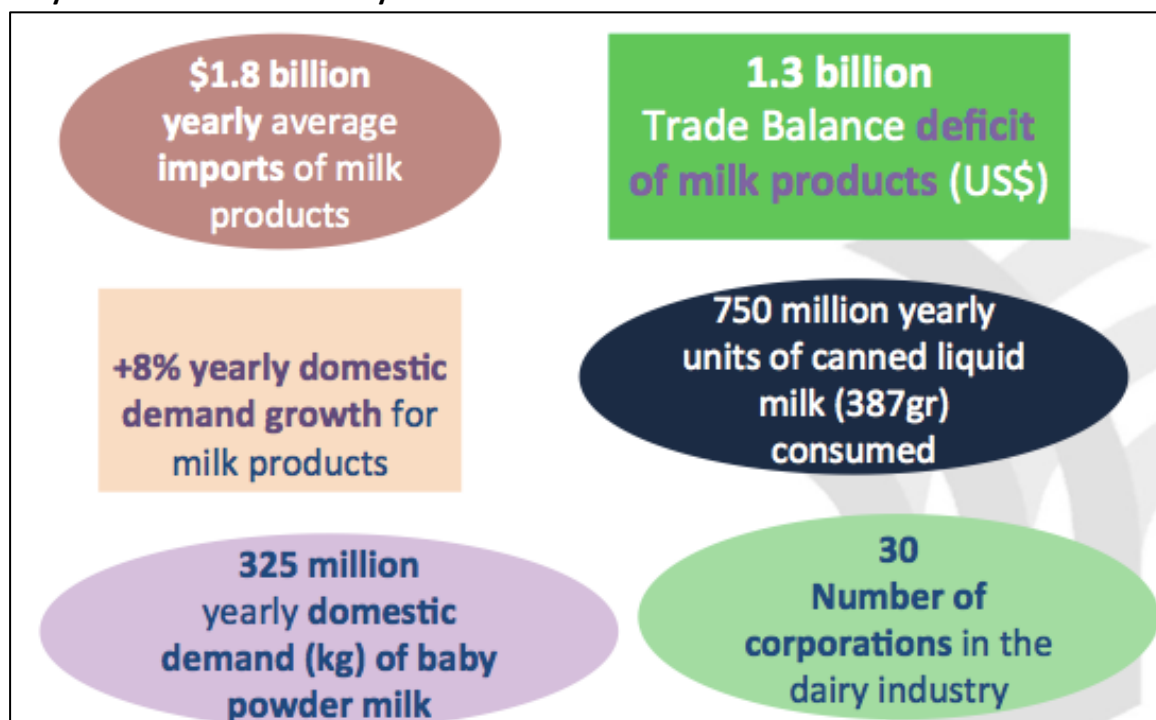
### Top 3 Sectors Having Best Opportunities for FDI in Indonesia in Next 5 years, % of respondents



Source: WAVTEQ survey June 2016.

Within the agribusiness sector, dairy products are expected to have the strongest FDI opportunities for Canadian companies.

### Why Invest in Indonesia's Dairy Sector?



Source: WAVTEQ.

Within the fisheries sector, key opportunities for Canadian investors include the following:

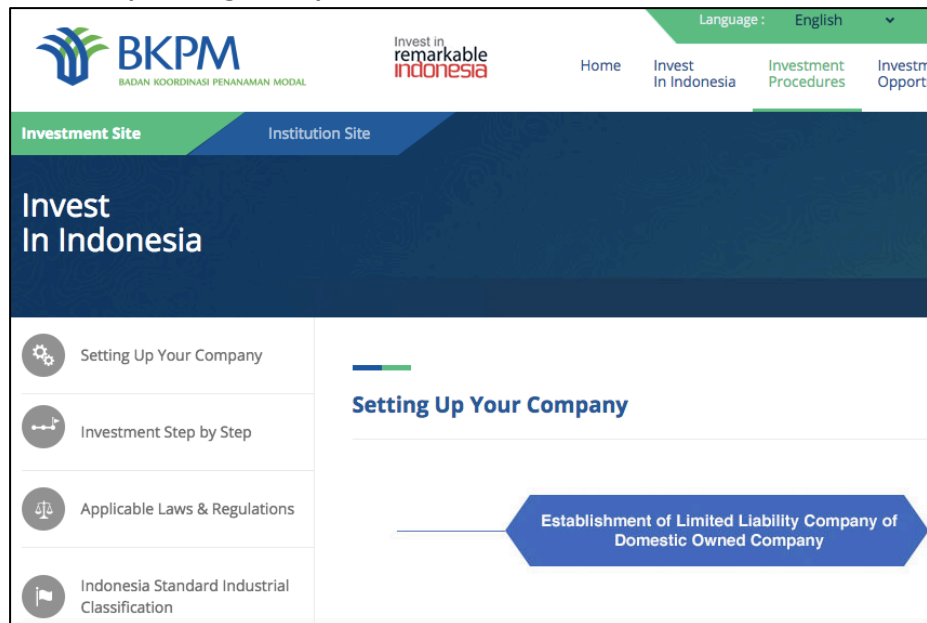
- Fisheries processing plants
- Cold storage
- Technical services to improve productivity of operations
- Producing for the rapidly growing domestic market
- Producing for export markets (fish and shrimps)

## HOW TO INVEST IN INDONESIA

### Government Support for Your Investments

The Investment Coordinating Board of the Republic of Indonesia (BKPM) is the Indonesian government agency established to assist foreign companies to invest in Indonesia. BKPM offers a one-stop shop and online service to help foreign investors, with targets for approval times. BKPM should be contacted to obtain the latest information on how to make agri-business investments in Indonesia and on possible fast-track investment set-up and financial incentives available.

### BKPM Helps Foreign Companies to Invest in Indonesia



<http://www4.bkpm.go.id/en/investment-procedures/>.

### Online Licensing—National Single Window for Investment



<https://online-spiipse.bkpm.go.id/>.

For major investment projects, BKPM offers a fast-track service to help foreign investors get the approvals they need to set-up operations in Indonesia.

### Fast-Track Service for Major Projects

**BKPM**  
BADAN KOORDINASI PENANAMAN MODAL

Invest in remarkable indonesia

Language : English

Home Invest In Indonesia Investment Procedures Investment Opportunities

Investment Site Institution Site

# 3 HOURS

## INVESTMENT LICENSING SERVICE PROCEDURE

8 Investment Products + 1 Letter of Land Availability Information

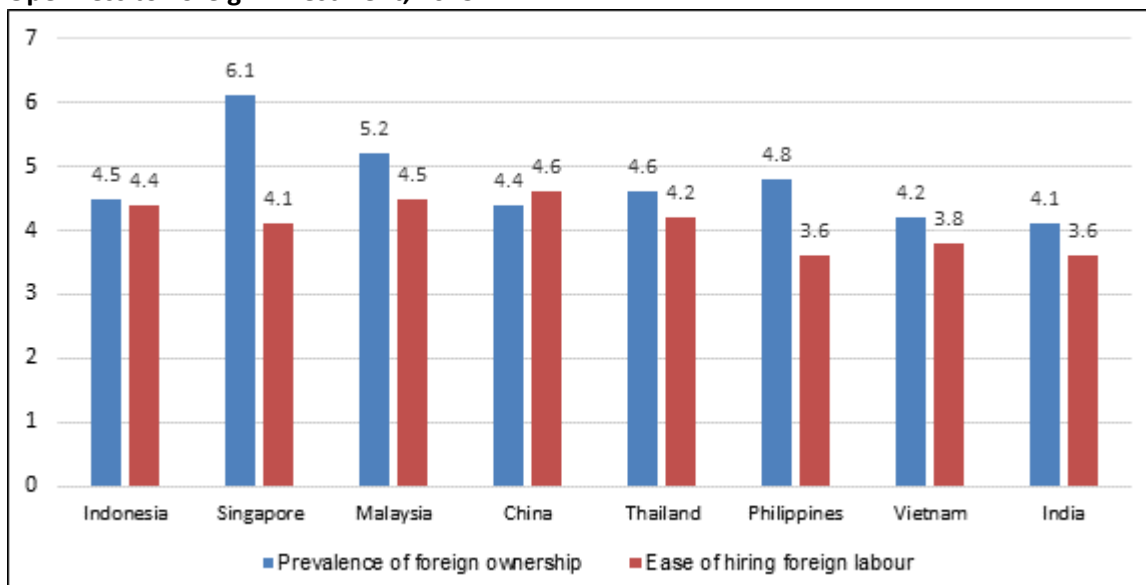
BKPM issues 8 investment products, namely Investment License, Tax Registration Number, Establishment Deed and Decree of Legalization of the company from the Ministry of Law and Human Rights, Company Registration Certificate (TDP), Foreign Manpower Utilization Permit (IMTA), Foreign Manpower Utilization Plan (RPTKA), Importer-Producer Identity Number (API-P), Customs Identity Number (NIK) and Letter of Land Availability Information. Requirement for utilizing this service are:

- 01. 100 BILLION**  
Investment value worth 100 Billion Rupiahs or above, and/or
- 02. 1000 LABOURS**  
Employing at least 1,000 local workers;
- 03. SHAREHOLDERS**  
Application must be submitted in person by at least one of the shareholders

### Indonesia's Ease of Doing Business

The chart below shows that the prevalence of foreign ownership in Indonesia is higher than in China, Vietnam, and India and around the same level as Thailand. Indonesia is also one of highest ranked countries when it comes to ease of hiring foreign labour, performing better than Singapore, Thailand, Vietnam, and India.

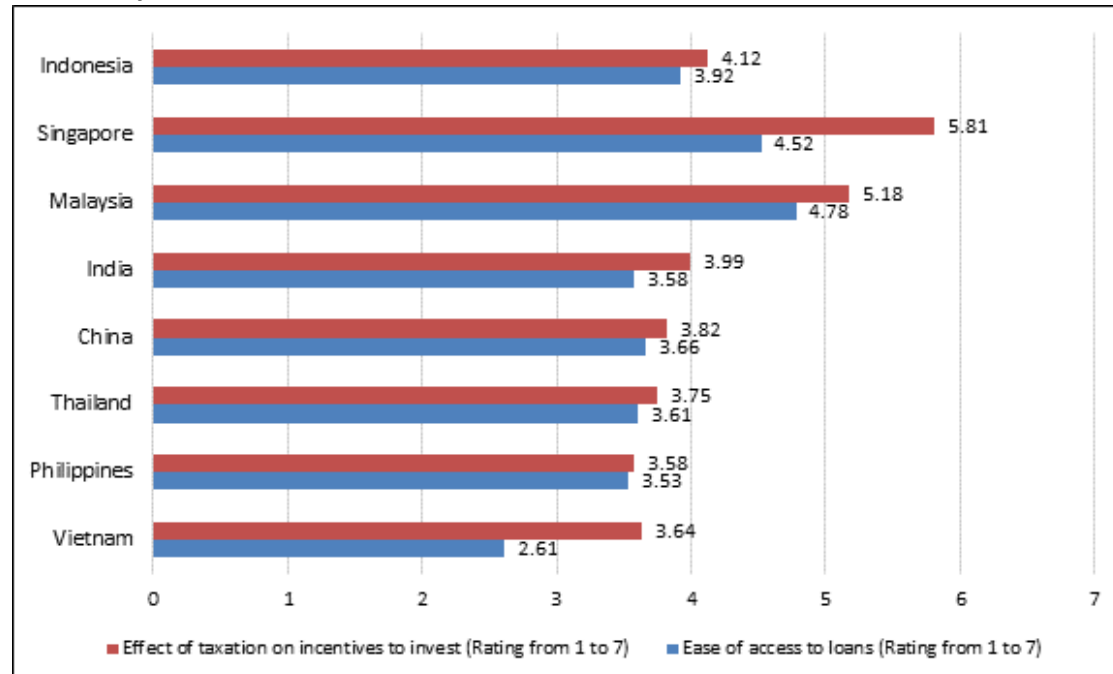
### Openness to Foreign Investment, 2015



Source: World Economic Forum, The Global Enabling Trade Report; Travel and Tourism Competitiveness Report 2014 & Global Competitiveness Report, World Economic Forum, Switzerland, 2015-16.

In terms of availability of finance, Indonesia performs relatively well compared to most ASEAN countries, China, and India. Indonesia scores 4.12 out of 7 for the effect of taxation on incentives to invest and 3.92 out of 7 for ease of access to loans, higher than China and India and ASEAN countries except Singapore and Malaysia.

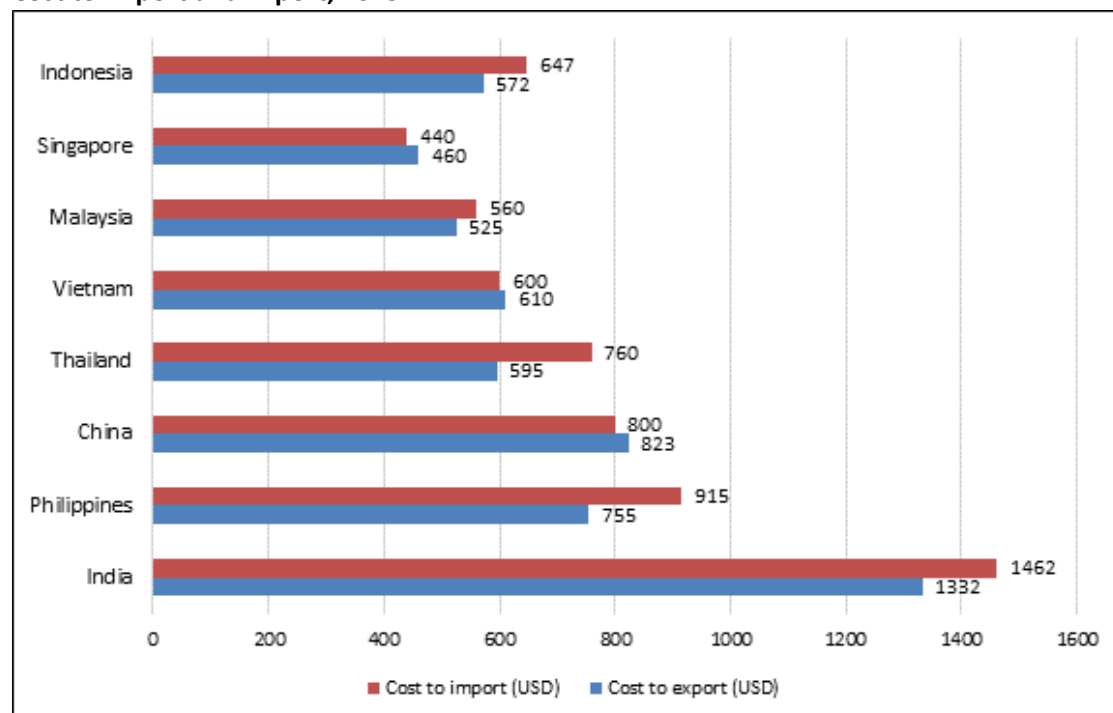
#### Availability of Finance Indicators, 2015



Source: Global Competitiveness Report, World Economic Forum, Switzerland, 2015-16.

Indonesia performs relatively well in terms of the cost to import and export, with costs much lower than India, Philippines, China, and Thailand.

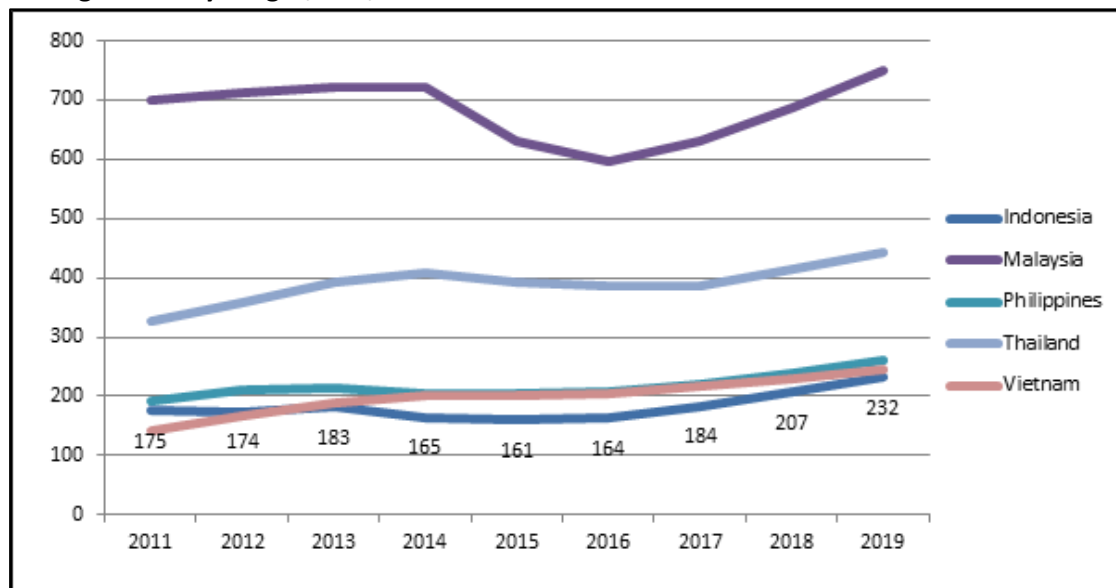
#### Cost to Import and Export, 2015



Source: fDi Benchmark 2016 (The World Bank: Doing Business 2015).

Indonesia is very cost effective—the average monthly wage is US\$161 and is forecast remain the lowest in ASEAN.

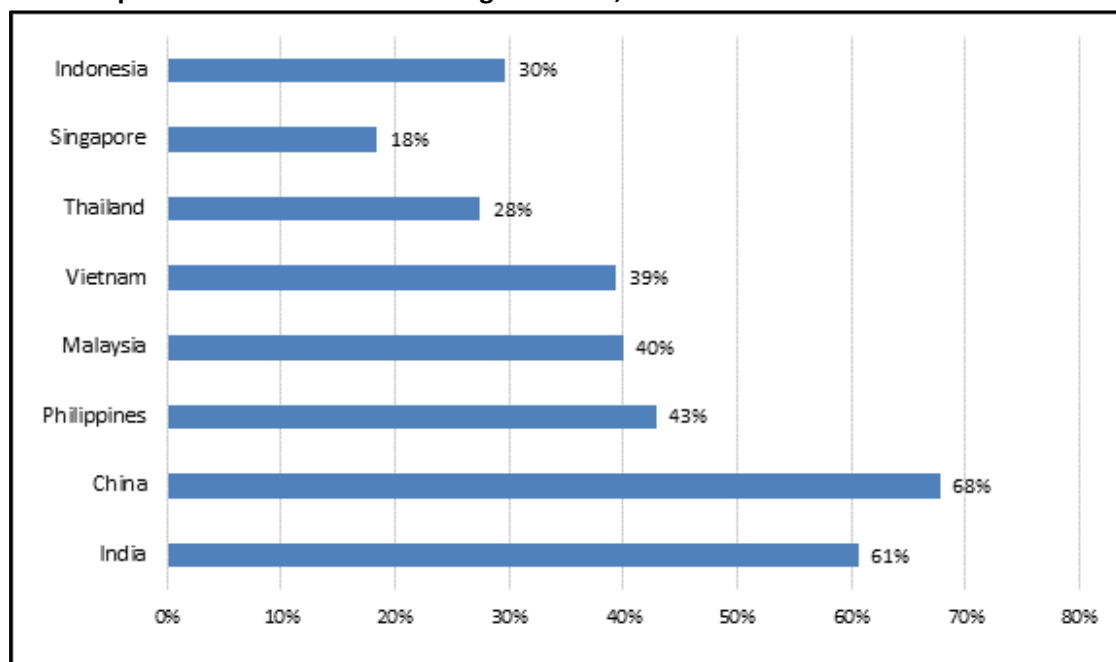
**Average Monthly Wages, US\$, 2011–2020**



Source: EIU.

Indonesia's total tax rate as a % of profit is competitive; only Singapore's is significantly lower.

**Total Corporate Tax Rate as a Percentage of Profit, 2016<sup>5</sup>**



Source: World Bank Doing Business 2016 & Deloitte 2016.

<sup>5</sup> Total tax rate as a % of profit provides a comprehensive measure of the cost of all the taxes a business bears. It measures the amount of taxes and mandatory contributions payable by businesses after accounting for allowable deductions and exemptions as a share of commercial profits. Taxes withheld (such as personal income tax) or collected and remitted to tax authorities (such as value added taxes, sales taxes or goods and service taxes) are excluded.

## KEY CONTACTS

BKPM provides a one-stop service contact centre for foreign investors.

### One Stop Service Contact Centre

The screenshot displays the 'Invest In Indonesia' website interface. The header is dark blue with the text 'Invest In Indonesia' on the left and 'Contact Us' and 'One Stop Service' on the right. A left sidebar contains a vertical menu with icons and labels: 'Contact & Location', 'Contact Center', 'One Stop Service' (highlighted with a green checkmark), 'BKPM Overseas Representative Offices', 'Foreign Desk in BKPM', and 'Public Complaint'. The main content area is titled 'One Stop Service Contact Center' and includes a sub-header 'For further consultation and application process below, please visit One Stop Service Contact Center at 0807 100 BKPM (2576). Operational hours from 07.30 am - 04.00 pm.' Below this, there is a numbered list of five services: 01 One Stop Service Center, 02 Services on investment license and facilities, 03 Services on access rights and and investment online system, 04 Sectoral licenses, and 05 Complaint submission. A zoom control is visible in the top right of the main content area.

Source: <http://www4.bkpm.go.id/en/contact-us-investment/one-stop-service-contact-center-investment#>.