



Overview on

Agri-Food Processing & SMEs in Indonesia

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Overview on

Agri-Food Processing & SMEs in Indonesia



Presented at
 - WORKSHOP Australia Indonesia Center (AIC)-Food & Agriculture Cluster, 23-25 Feb 2015, IPB BOGOR

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Overview on

Agri-Food Processing & SMEs in Indonesia


Keywords
(What I've heard and learned so far.....)

- SMEs (MSMEs)?
- **Food security?**
- Trade (international trade)?
- Global value chain?

- Shared interests – Shared challenges?
- etc.

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Overview on


Agri-Food Processing & SMEs in Indonesia

GDP Growth of Manufacturing Industries Non-Oil/Gas in 2007 - 2013

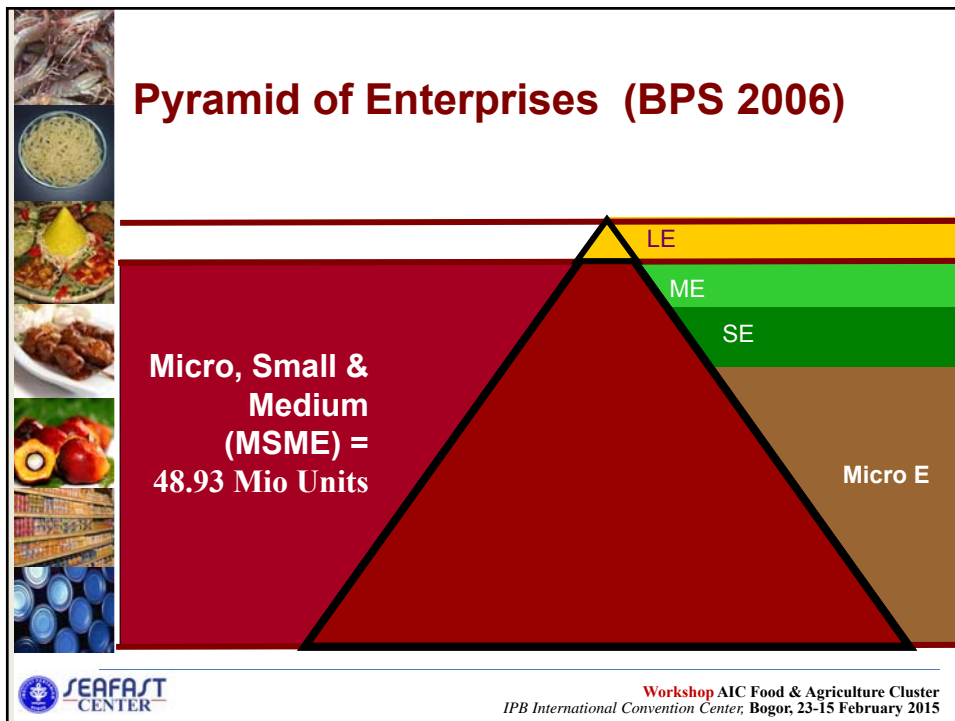
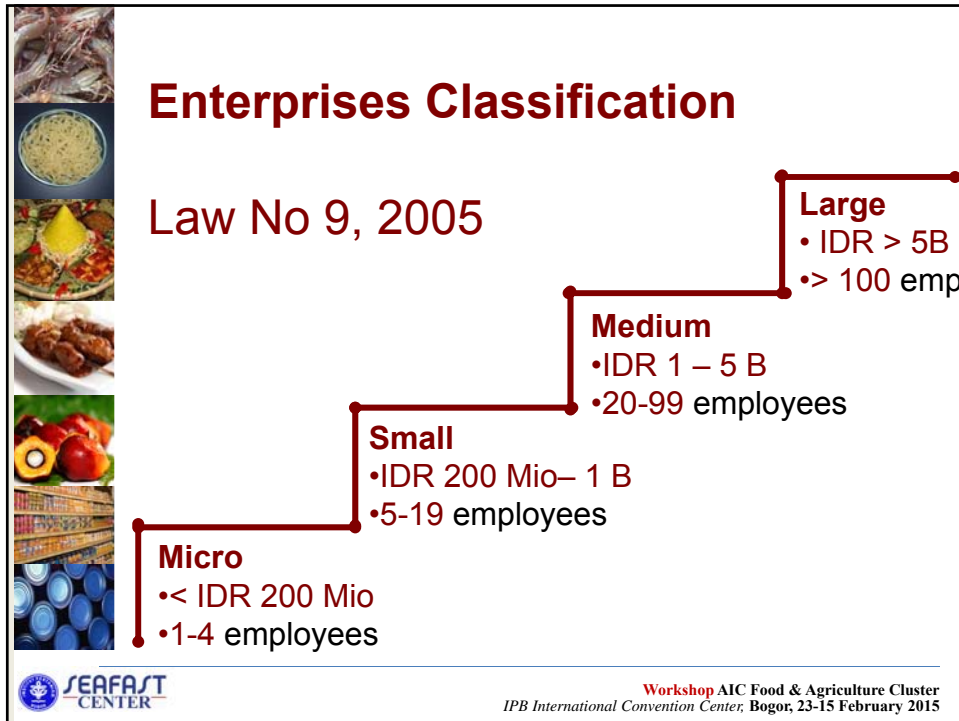
Industry	2007	2008	2009	2010	2011	2012	Q1 2014*
Non Oil Industry	5.15	4.05	2.56	5.12	6.74	6.4	5.56
F&B + tobacco	5.05	2.34	11.22	2.78	9.14	7.74	9.47

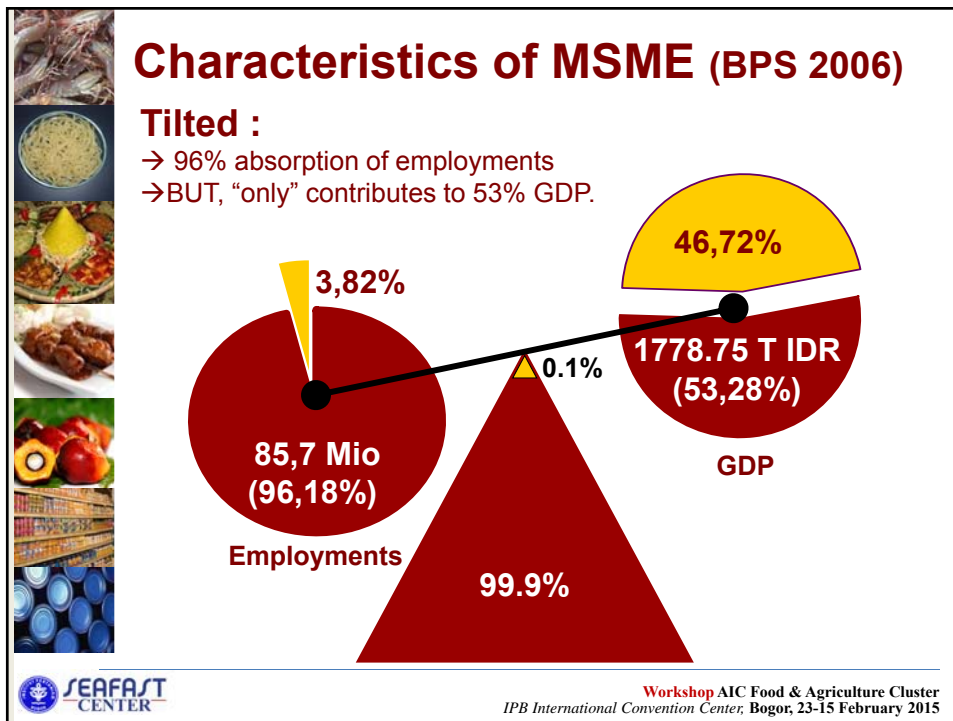
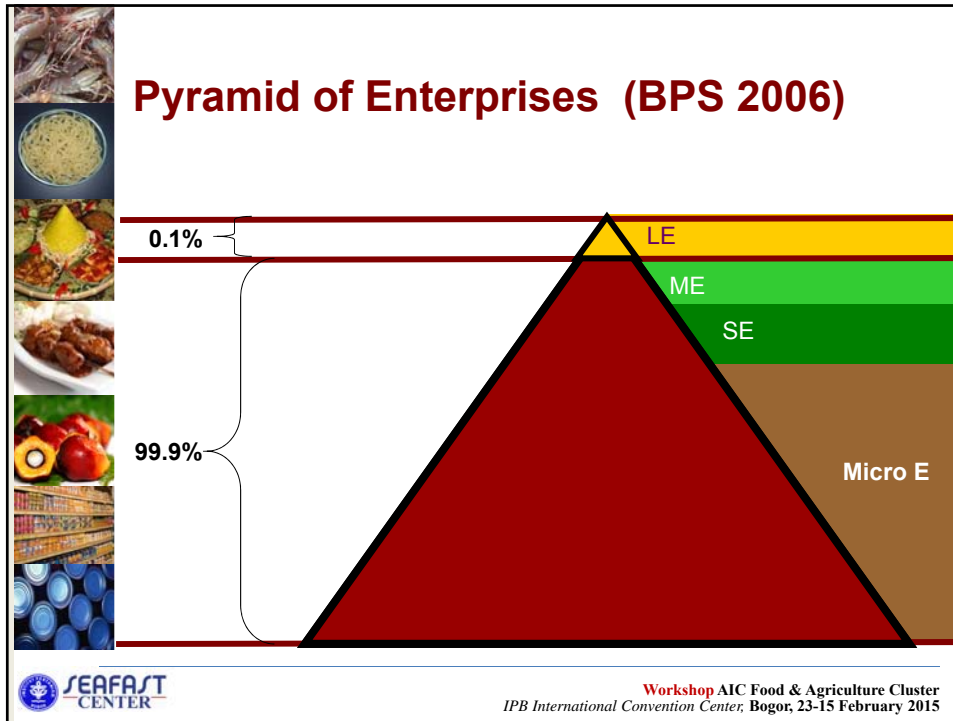
Source : BPS , calculated by
Kemenperin


*temporary

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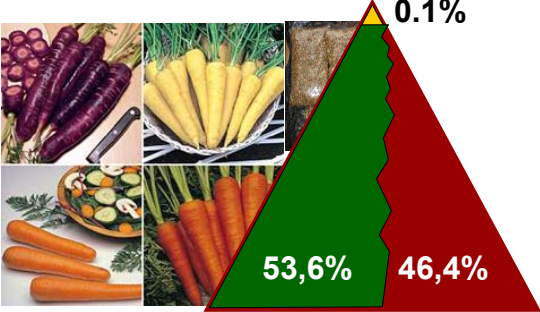





Characteristics of MSME (BPS 2006)

Food Security


→ 53,57% MSME: **Food & Agriculture sectors**



Sector	Percentage
Green	53,6%
Red	46,4%
Yellow	0,1%



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Food Security

Food Security is the fulfillment of food for the state up to the individuals, that is reflected by food availability that is sufficient, both in quantity and quality, safe, diverse, nutritious, prevalent and affordable as well as not conflicting with religion, belief and culture, to live healthy, active and productive in a sustainable manner.

Food Law No 18, 2012



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Keywords of Food Security

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Assuring Food Security

Food availability


- Quantity
- Quality
- Nutrition adequacy
- Variety
- Safety

Accessibility


- Physical, economic and social accessibility
 - Compliance to preferences
 - Compliance to food habit and culture
 - Compliance to belief and religion

Consumption sufficiency

- Intake sufficiency
- Quality of household food processing, sanitation and hygiene
- Quality of drinking water
- Quality of child care



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Assuring Food Security

Food Quantity: prerequisite of Food Security

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Assuring Food Security


Food Quantity: prerequisite of Food Security

Issues of Agri-Food Processing and SMEs in assuring food quantity:

- Availability of raw material? → import?
- Availability of ingredients? Esp. Functional ingredients → import?
- Availability of packaging material? → import?
- Availability of machineries ? → import?
- ?????



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1 **Assuring Food Security**

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Are these shared interests/challenges?

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1 How AIC Food & Agricultural Cluster can do about this?


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IFYES, these are shared interests/challenges

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1 How AIC Food & Agricultural Cluster can do about this?

Addressing


Issues of Agri-Food Processing and SMEs in assuring food quantity:

- Value-adding partnership?
- ETC

IFYES, these are shared interests/challenges

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1 How AIC Food & Agricultural Cluster can do about this?

Addressing


Issues of Agri-Food Processing and SMEs in assuring food quantity:

- Development of intermediate ingredients (of Australia & Indonesia interest)?
 - Dried fruits?
 - Dried/powdered herb/spices, local flours (tubers, roots, etc.)
 - ETC

IFYES, these are shared interests/challenges

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1 How AIC Food & Agricultural Cluster can do about this?

Addressing


Issues of Agri-Food Processing and SMEs in assuring food quantity:

- Development of local food ingredients (of Australia & Indonesia interest)?
 - Tropical fruits-based ingredients (extracts, flavors, concentrates, etc.)
 - Starch-based ingredients (modified starch, thickeners, etc.)

IFYES, these are shared interests/challenges

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Issues of Agri-Food Processing and SMEs in assuring food quantity:

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 - Tropical fruits-based ingredients (extracts, flavors, concentrates, etc.)
 - HHP (CSRIO)

IFYES, these are shared interests/challenges

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1 How AIC Food & Agricultural Cluster can do about this?

Addressing


Issues of Agri-Food Processing and SMEs in assuring food quantity:

- Development of local food ingredients (of Australia & Indonesia interest)?
 - Soybean? Cattle??? SCE???
 - Jambi? Sulawesi???

IFYES, these are shared interests/challenges

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1 How AIC Food & Agricultural Cluster can do about this?

Addressing


Issues of Agri-Food Processing and SMEs in assuring food quantity:

- Development of local food ingredients (of Australia & Indonesia interest)?
- **Soybean? Tempe?**
 - Development of “tempe technology”, high value product, high value ingredients, etc.

IFYES, these are shared interests/challenges

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1 How AIC Food & Agricultural Cluster can do about this?

Addressing


Issues of Agri-Food Processing and SMEs in assuring food quantity:

- Development of local food ingredients (of Australia & Indonesia interest)?
- **Cattle? Meat?**
 - Development of “cattle-industry”????

IFYES, these are shared interests/challenges

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Assuring Food Security

Food Safety: prerequisite of Food Security

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Food Safety ?

- Indonesia : Double Challenges of Food Safety



DOMESTIC
Food Safety Challenges

INTERNATIONAL
Food Safety Challenges

FOOD
SECURITY
?



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2 Food Safety ?

- Indonesia : Double Challenges of Food Safety




DOMESTIC
The need to establish domestic food safety system & Infrastructure

INTERNATIONAL
The need to comply with increasingly **stringent** international standard of food safety

FOOD SECURITY
?

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2 Food Safety ? – domestic issues

Challenges of “Domestic” Food Safety

- Microbial problem → unsanitary conditions
- Uses of unsafe-chemicals
- Unsafe use of food additives

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2 Food Safety ? – domestic issues

Roots of the problem?

- **Poverty → lack of foods**
- **Food production system is dominated by SMEs (and household industries)**
 - Lack of basic food safety infrastructure (clean water, clean ice, cold chain system, etc.)
 - Lack of capacity of human resources (Producers, consumers, government officials)
 - Lack of funding



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2 Food Safety ? ... International Issues?

- **Global food trade will likely to increase due to expected increases in global income levels**
- **Consumers take advantage of lower prices and greater seasonal availability of some foods abroad**
- **~ global value chain**



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Food Safety ? ... International Issues?



- **World Integrated Trade Solution Database**
(<http://wits.worldbank.org/wits/gpfad.html>)
- **Already ~ 40% of all trade in food agriculture, fisheries occurs between developing & developed countries**

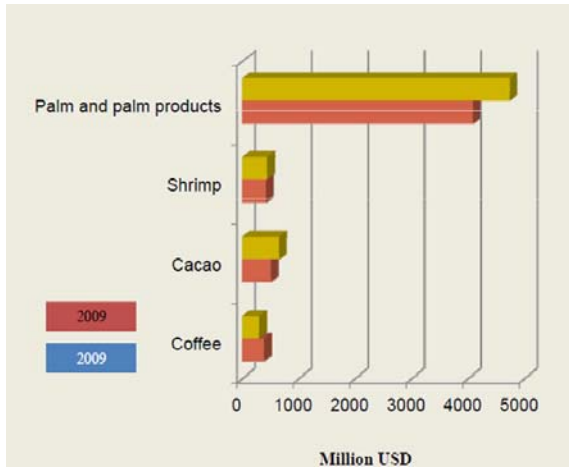


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Food Safety ? ... International Issues?

Indonesian processed food products of export
(MOT RI, 2010)

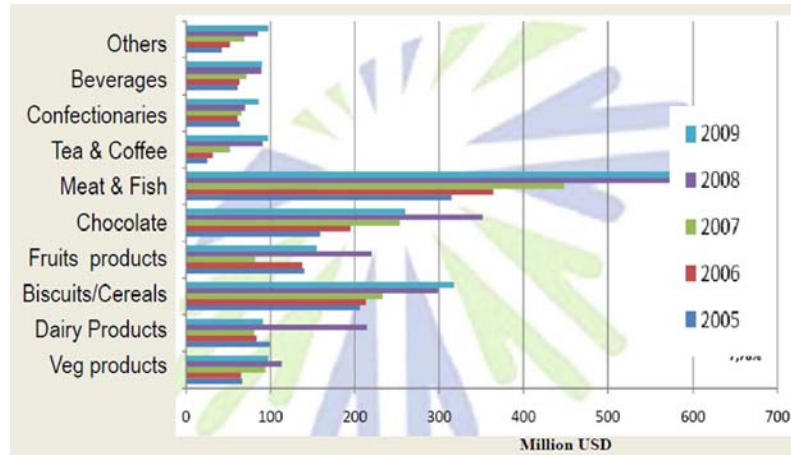


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Food Safety ? ... International Issues?



- United Nations Industrial Development Organization (UNIDO)
- Norad – Norwegian Agency for Development Cooperation
- Institute of Development Studies (IDS), Brighton, UK



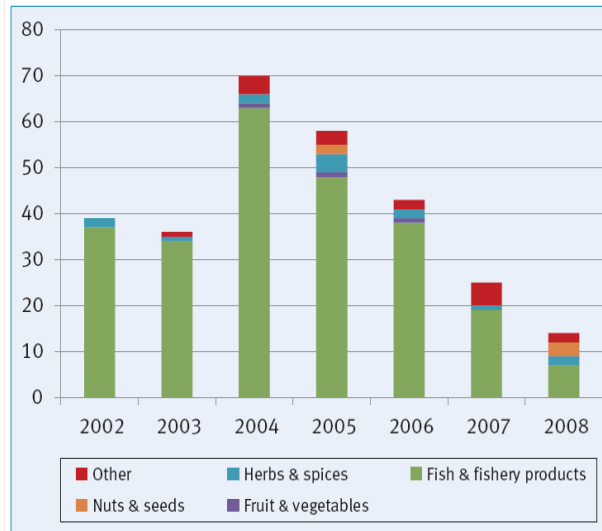
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Food Safety ? ... International Issues?



Number of **EU** rejections of food and feed exports from Indonesia, 2002-2008



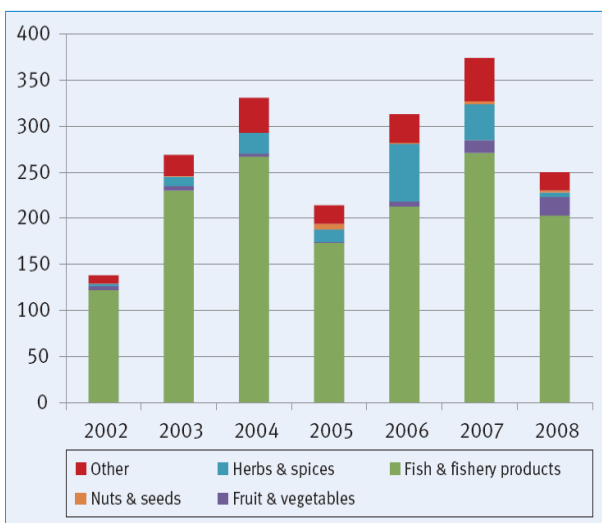
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Food Safety ? ... International Issues?



Number of **US** rejections of food and feed exports from Indonesia, 2002-2008



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Food Safety ? ... International Issues?



- **Driving forces for trade is economic gain**
 - **International trade is important for economy of developing country**
 - **However, increasingly restrictive/stringent international food safety standard**
 - Limit market access
 - Could incur significant export/income loss



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Food Safety ? ... International Issues?



For Indonesia, average number of rejection each year:

- 40 for the EU,
- 377 for the USA,
- 38 for the Japan, and
- 50 for Australia



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	Mycotoxins	Additives	Bacterial contamination	Veterinary drugs residues	Pesticide residues	Other contaminants	Heavy metals	Adulteration/missing document	Hygienic condition/controls	Other microbiological contaminants	Labelling	Packaging	Others
EU	7.6	12.0	7.6	20.4	0.6	14.0	26.3	0.6	3.1	5.0	0.3	0.3	2.2
US	0.2	4.9	24.4	4.3	0.0	4.4	0.0	11.1	38.8	NA	11.8	0.0	0.1
JPN	4.8	3.7	26.1	33.5	9.6	4.8	0.0	0.0	16.0	0.0	0.0	0.0	1.6
AUS	8.7	1.5	5.9	0.4	1.3	7.8	6.1	7.8	0.0	0.0	59.0	1.5	NA

Note: The recorded period is 2002–2010 for the EU and United States, 2003–2010 for Australia and 2006–2010 for Japan. The number represents the share of rejection reasons in each market.

Source: UNIDO dataset and analysis, based on EU RASFF, US OASIS, AQIS, and Japanese MHLW data



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WHY?

- Quality
- Safety



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reasons

WHY?

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~ MSME Issues ?

????? Are these shared interests/challenges?

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2 Food Safety ? ... International Issues?

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reasons

YES.....

The shared interest/challenges:
How to make Indonesia-Australia stronger (& trusted) trading Partners (reducing export refusals)

????? Are these shared interests/challenges?

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2 If YES... Is there any AIC scheme to address this

MSME

MSME

Improving Food Quality & Safety

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2 If YES... Is there any AIC scheme to address this

→ Empowerment /capacity building program?

Marketing

Fund/Financial

Training/nurturing

Tech Transfer
→ Product/Process

MSME

Improving Food Quality & Safety

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THE ASIAN CENTURY OF TRADE:

- Asian trade growth?
- Value-adding partnership?
- Reg infrastructure to support trade?
- ???


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Improving Food Quality & Safety



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MSME

Improving Food Quality & Safety

How to make Indonesia-Australia stronger (& trusted) trading Partners (reducing export refusals)



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2 If YES... Is there any AIC scheme to address this

AIC?

PISAgro Model:

- Coffe?
- Cocoa?
- Seaweed?
- Cattle/Soybean?
- Etc

→ Empowerment /capacity building program?

Marketing

Fund/financial

Training/ nurturing

MSME

→ Product/Process

Improving Food Quality & Safety

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