

FUNCTIONAL AND LUXURY FOODS OPPORTUNITIES FOR SOUTH AUSTRALIA IN INDONESIA

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FUNCTIONAL & LUXURY

PREMIUM
FOOD AND WINE FROM OUR
CLEAN
ENVIRONMENT



Government
of South Australia
Primary Industries
and Regions SA

FOODS



This fact sheet presents a high level summary of the opportunities for South Australia to supply luxury and functional foods to Indonesia.

Country context

Indonesia has the fourth highest population in South Asia, and is classified in the World Bank's index of the 'Next 15' economies for economic growth. Nevertheless, Indonesia is considered a niche market for functional foods, thanks to rising inflation, the market being dominated by Japanese-supplied products and low levels of affordability for the majority of the population.

Indonesia's health food sector is a comparatively young market, with functional foods and beverages being a novel concept. However, as lifestyle diseases, particularly those related to obesity, continue to rise there is a growing demand in Indonesia to use food as medicine, especially due to access concerns for healthcare facilities available outside of Jakarta.

Convenience will be the primary driving factor in demand for functional foods in Indonesia, which currently account for 70% of the nutraceutical market. However, the uptake of functional foods in Indonesia will continue to be influenced by price, which may make market participation challenging for international importers.

Indonesians are also becoming increasingly status conscious, driving demand for luxury products by Indonesia's emerging upper middle class and High Net Worth Individuals and Bali (which has a burgeoning 'luxury tourism' industry).

Growing concerns around increased imports of contraband luxury products which in some cases, such as distilled spirits, accounts for over 90% of imports, is driving the Indonesian Government to focus on food safety and traceability.

Halal certification is a further consideration for a potential importer of applicable foods into the Indonesian market.

Functional food opportunities in Indonesia

ALOE VERA

Australia's aloe vera market is largely an export one, catering to cosmetics and functional beverages containing aloe vera extracts. Demand is driven by interest in the plant's native medicinal and antioxidant properties. The fact that aloe vera is locally-sourced contributes much of its product appeal in the domestic market. South Australia currently produces a minor crop of aloe vera, but could expand operations to capitalise on the growing demand.

Indonesia currently produces aloe vera domestically, primarily for use in beverage manufacturing and cosmetics. Most aloe vera juices sold in Indonesia are not fortified, relying instead on local knowledge of the product's health benefits to drive sales. The lack availability of functional ingredients such as polyphenols, carotenoids and phytosterols in Indonesia limit the country's capacity to fortify its aloe vera beverages.

LACTOSE-FREE FOOD

Still largely restricted to liquid milk and baby milk powder, lactose-free products are generally perceived to be less-fattening and easier for people to digest. Lactose-intolerance is more widely spread among non-European populations, and continued development of digestive-related product options, beyond dairy and into confectionery and baked goods, will drive consumer demand in this market.

Lactose intolerance in Indonesia is driving demand for lactose-free products, aimed largely at addressing digestive issues of pediatric and geriatric consumers. Infant milk powders will continue to dominate lactose-free product demand in Indonesia.

OTHER 'FREE FROM' FOODS

'Free from' foods in Indonesia tend to focus only on lactose-free foods, so broader 'free from' foods are not a viable commercial market at present.



POLYUNSATURATED FATTY ACIDS

Polyunsaturated fatty acids (PUFA) are one of the most well-established classes of functional products in Australia. South Australia's large aquaculture industry is a prime sourcing point to provide marine-based fish oil to the industry, and flax used in the development of vegetarian omega-3 products.

By revenue, PUFAs are the largest nutraceutical ingredients in Indonesia. The market is largely import-dependent due to the absence of established omega-3 suppliers and formulators in Indonesia, though the country's tuna industry is a potential raw material for fish oil-based ingredients. There is also growing demand for PUFA ingredients in milk and fortified milk powders for infant nutrition, and Indonesia's large vegetarian population is also driving interest in algal and flax seed PUFA ingredients.

PREBIOTICS AND PROBIOTICS

Prebiotics support beneficial bacteria in the gut and are most commonly combined with probiotics. Future growth will be driven by innovations in pro and prebiotic formulations, and increased consumer awareness of the relationship between their digestive health, immunity, and overall wellness. South Australia's large grain industry is a key source for dietary fibre, while fruit and berry processing side streams are sources of soluble fibre, which could also provide opportunities in this space.

In Indonesia, prebiotics and probiotics are focussed on improving digestive and immune health in infants and toddlers, and adult cardiovascular health. People with allergies to milk proteins and those watching their cholesterol intake are driving the use of probiotics. Fruit juices are a popular means of incorporating probiotics, as their nutritional content is high and they are already part of the Indonesian daily diet. Competition in the prebiotics market is intense, with a number of global players competing in more than one product. The non-dairy foods and beverage applications for prebiotics, such as bakery items, energy drinks, and nutritional waters form a smaller portion of the overall market.

PROTEINS AND PEPTIDES

Australia is a key producer of mainly dairy-based proteins and peptides, and also manufactures fish, egg, gelatin and soy protein products. The growth of the sports nutrition sector has also driven consumer interest in these products, particularly in protein-rich beverages. Downstream processing of South Australia's dairy exports provides a large market opportunity for proteins and peptides as functional ingredients.

Indonesia's protein and peptide market is highly influenced by concerns with malnutrition and a lack of local dairy supply. Indonesian consumers tend to focus on dairy protein supplementation for children and working adults, and protein supplementation in the fitness and weight management industries. There is a growing interest in Indonesia's upper middle class for protein bars and meal replacement products, including protein drinks.

VITAMIN D

Vitamin D is a well-known ingredient in the bone health sector, contributing to the maintenance of normal levels of calcium and phosphorus in the bloodstream. Products rich in vitamin D are particularly important for older persons, to address bone and joint health issues such as osteoporosis. Post-menopausal women are also target customers in this sector, and the primary market for dairy products and beverages fortified with vitamin D. Beverages and baked goods with added vitamin D are also proving popular with younger consumers.

Indonesians are becoming increasingly aware of the role of calcium in maintaining and improving health, which is driving demand for vitamin D fortified products and supplements for bone health. Marketing and advertising for calcium-fortified foods has become increasingly common in Indonesia. The lactose-intolerant Indonesian population tends to prefer vitamin D in fruit juices but in the short term, fortified dairy products will continue to be the primary mode of vitamin D delivery.



Luxury food opportunities in Indonesia

ABALONE

Abalone is one of the most valued seafood products globally, especially in Asia. Opportunities for South Australian abalone exist in product differentiation and marketing. A later harvest would allow abalone to grow to an optimal size and therefore demand a higher price per kilogram. Greater uptake of nitrogen freezing is another opportunity for South Australia, as well as better marketing of our clean and green, sustainable credentials, including through product certification. Producers should also explore e-commerce opportunities.

Over 90% of Indonesia's abalone production is exported, but affluent Indonesians do consume abalone as an indicator of their social status and western exposure. With input from Australia (through the Rural Industries Research and Development Cooperation), Indonesia is developing a larger abalone aquaculture industry to cater to the export sector.

BLUEFIN TUNA

The rise of the sushi and sashimi markets in Japan and in other parts of the world has created a strong and growing demand for Bluefin tuna. Opportunities exist in differentiating how South Australia captures and farms Bluefin tuna and developing an industry-wide marketing program in export markets beyond Japan.

The VTT researchers did not identify any particular opportunities for South Australian Bluefin tuna into Indonesia, but noted that Indonesia has the third highest catch of Southern Bluefin tuna in the Asia Pacific region (behind Australia and Japan).

BRANDY, COGNAC AND DISTILLED SPIRITS

The Asian luxury market for brandy is currently dominated by products from major French cognac houses. While St Agnes distillery has recently launched some luxury products, our overall exports of brandy from Australia are negligible. Opportunities exist for South Australian producers to invest in an 'origin' story for our niche distilled spirits, potentially modelled on Tasmania's success in the export whisky market.

In Indonesia, top distilled spirits brands are seen as an indicator of social status and wealth, and are largely purchased as gifts. Indonesia is witnessing growth rates for its imported spirits (over 6% year on year).

CHOCOLATE

It is feasible for South Australian companies to produce, export and enter the luxury chocolate market, leveraging Australia's reputation in Asia as a reliable manufacturer of high-quality product. Opportunities exist in specifically marketing luxury product to affluent local and international tourists at exclusive airport boutiques, and in high-end and flagship stores.

Indonesia is the third largest cocoa producer in the world, but 90% of the chocolate produced in the country is of low quality (compound chocolate). The demand for chocolate in Indonesia is growing amongst the emerging middle class, and this has already spurred expansion of cocoa grinding facilities in the country. Chocolates from Belgium, Switzerland and the United States are deemed premium. Muslim and Chinese holidays in Indonesia are popular occasions to give chocolates as gifts, and halal chocolates are a growing trend.



RED WINE

Driven by the growth of an aspirational middle class across Asia, red wine consumption has experienced a renaissance in those markets. The perceived sole origin for luxury wines in the market has traditionally been in the Bordeaux region of France; however, this conception is shifting thanks to growing customer sophistication. Ensuring traceability across the value chain will be important for South Australian wines, requiring enhanced consideration of processing and packaging technologies.

Almost 80% of wine consumed in Indonesia is red wine, particularly from France and Italy. Wine consumption in Indonesia is linked to perceived social status. Red wine is mostly consumed in Jakarta, whereas white wines are more popular in Bali, largely influenced by the palates of western tourists. Red wine sales have improved in recent times, due in part to the prevalence of wine tasting events and growing numbers of wine bars across Indonesia.

ROCK LOBSTER

Rock lobster is Australia's largest seafood export by value, and South Australia's southern rock lobster accounts for 19% of total Australian production value. South Australia's high environmental standards should sustain the State's competitive advantage going forward, but the main challenge will be the relatively higher product price compared with other exporters. South Australian producers could also consider value-added luxury product opportunities for rock lobster, including lobster portions, ravioli, and pizza.

Highly sought-after in Indonesia's luxury market, imported rock lobsters are mainly consumed in tourist destinations (particularly Bali). Demand is mainly for frozen lobsters, with a minimal demand for live versions. Indonesia has now started its own production of lobsters, as over 60% of Indonesians' protein demand is met by seafood.

TRUFFLES

Australia is the world's fifth largest producer of truffles, with production occurring across the cooler climates of southern Australia. Producers in South Australia are small-scale in comparison with counterparts in other states and tend to rely on local distribution channels such as farmers' markets. South Australian producers should consider growing white truffles, which are more highly valued in Asia and would offer product differentiation against other Australian and Chinese producers. Luxury packaging will also need to be developed to complement the product.

Truffles are known staples in Indonesia's high-end restaurants where French chefs dictate the menus, but the average Indonesian consumer is unaware of them. White truffles are especially rare.

WAGYU BEEF

Australia has the largest population of full-blood genetic Wagyu outside of Japan, and it is a key value-added niche sector in our cattle industry. There is some Wagyu production already occurring in south-eastern regions around Adelaide, and South Australia's product is prized for our effective food safety regulations, traceability, and a focus on animal husbandry, farm management and welfare.

After seafood, beef accounts for the largest form of protein consumption in Indonesia. Australia is the largest beef importer into Indonesia, but Japan is also a key supplier of premium Wagyu beef. There are strict regulations on Wagyu, as it must be Halal certified to meet the requirements of Indonesia's Muslim consumers. There is a growing demand for Wagyu beef in Indonesia's upmarket supermarkets and high-end restaurants.



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