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Report Highlights:

The signature campaign promise of the newly sworn-in Prabowo administration, the Free Nutritious Meals Program, will be a large driver of increased demand over the next five years as the program aims to provide milk to over 82 million beneficiaries daily by 2029. Indonesian 2024 dairy demand is projected to rebound back to 2022 levels at 4.2 million metric tons and increase to 5.3 million metric tons in 2025 due to the additional drinking milk consumption increase to meet the Government of Indonesia's 2025 target for the Free Nutritious Meals Program. The new administration will also be actively pushing for increased milk production through the importation of a target 1 million dairy cattle from various countries over the next five years.

Production

Over two thirds of Indonesia's fresh milk is produced by smallholder dairy farmers, who are members of 63 well-organized dairy cooperatives under the Indonesian Dairy Cooperatives Union (GKSI). Several large modern dairy farms produce the remaining third. Foot and Mouth Disease (FMD) continues to negatively impact Indonesia's fresh milk production and the dairy cattle population, with neither yet rebounding to pre-FMD levels (see Table 1). This is especially true for the less bio-secure dairy operations of smallholder dairy farmers.

Table 1. Effect of 2022 FMD Outbreak in Indonesia

Parameters	2021 (prior to FMD)	2022	2023	2024	2025
Annual milk production (MT/year)	800,000	590,000	672,000	637,318	699,000
Dairy cow population	259,450	239,196	226,829	204,741	220,000

Source: GKSI and other industry data, with Post analysis

GKSI revised their 2023 fresh milk production data to 508,000 metric tons (MT) (see Table 2). This, combined with modern dairy farm production of 164,000 MT, brings Indonesia's total 2023 fresh milk production to 672,000 MT. Based on this revision, Post revises up 2023 whole milk powder (WMP) production 26 percent to 72 MT in the PSD data table. Domestic fresh milk production is processed by dairy processors, mainly into shelf-stable whole milk powder (WMP), for their own internal use later.

In 2024, smallholder dairy farmers are projected to produce approximately 445,173 MT of milk while modern dairy farms are projected to produce approximately 192,145 MT. This brings the total 2024 fresh milk production forecast to 637,318 MT. As the impact of FMD, which impairs fresh milk production, is expected to decrease in 2025, Post projects the annual milk production of dairy cooperatives will increase to 495,000 MT, while the milk production of modern dairy farms is projected to increase to 204,000 MT, making total forecast 2025 fresh milk production 699,000 MT.

The population of dairy cows, especially in smallholder farms, continues to decline two years after the initial country-wide FMD outbreak in 2022 as dairy producers continue to cull unproductive cows still suffering the long-term effects of the disease. The dairy cow population drop is also leading to a rapid decline in the number of dairy farmers in cooperatives as shown in the table below. Many reportedly lack the resources to bounce back after losing their investment in FMD-afflicted dairy cows or are choosing to pursue other agricultural activities.

Table 2. Effect of 2022 FMD Outbreak on the Operations of Indonesian Dairy Cooperatives

Parameters	2022	2023	2024
Annual milk production (MT/year)	649,700	507,715	445,173
Number of dairy farmers	75,794	73,563	44,877
Dairy cow population	239,196	226,829	204,741
Number of primary dairy cooperatives	59	59	63

Source: Indonesian Dairy Cooperatives Union (GKSI)

While the total dairy cow population decreased, the procurement of dairy cows from Australia slightly increased the population of modern dairy farms to 34,100 head in 2024. The daily yield of these cows is between 25 to 35 liters per head. During visits to several dairy cooperatives, Post observed that some smallholder dairy farmers were able to increase their cows' daily yield to 27 liters by meeting the cows' daily forage and feed requirements. This progress was made possible by post-FMD capacity building activities organized by various international agencies and industry groups, including from the United States. In addition, dairy cooperatives are making an effort to improve the genetics of their herds. However, the average daily yields of dairy cooperative members remain relatively low, at between 10-12 liters per head.

The GOI has publicly stated it plans to import more than one million dairy cattle over the next five years to rebuild their herd and supply the Free Nutritious Meals Program (see below). Australia is currently the only country approved by the Government of Indonesia (GOI) to export dairy cattle to Indonesia. Other countries such as Brazil, New Zealand, Mexico, and the United States are reportedly in the process of obtaining or re-obtaining approval to export live dairy cattle to Indonesia. In the case of the United States, the U.S. Government and the GOI need to conclude negotiations on a health protocol, and the GOI needs to approve at least one live animal export quarantine facility before U.S. dairy cattle can be exported to Indonesia. However, U.S. dairy cattle semen and embryos are already approved for export to Indonesia.

Consumption

Continuing last year's trend, Indonesia's dairy product consumption is forecast to increase by 6.3 percent in 2024. Out of all consumer-oriented dairy products, fluid milk products make up the largest market share at 45 percent with 5.6 percent growth. In addition, evaporated and condensed milk makes up 20 percent of market share with 2.3 percent growth. Dairy creamer used for topping and filling street food cakes and pastries has the highest growth rate of 20.5 percent. This is followed by cheese, especially mozzarella, with 19.1 percent growth. Cheese has long been used for pizza and other western style foods and is beginning to be used as a topping for many desserts and cakes. Baby food, however, will continue to see a decline, due to the decrease in demand for formula milk in light of the continuing government-led breastfeeding awareness campaign. Plant-based milk has also seen a notable increase this year at six percent after last year's growth of 11 percent due to intensive marketing campaigns.

Table 3. Sales of Dairy Products and Alternatives

Products	Unit	2022	2023	2024	2025
Baby Food					
Baby Food	000 MT	25.3	26.2	27.2	28.2
Milk Formula	000 MT	204.3	202.8	201.2	197.1
Sub Total	000 MT	229.6	229.0	228.4	225.3
Dairy					
Butter & Spread	000 MT	73.1	79.1	85.7	91.9
Cheese	000 MT	122.5	145.0	172.7	202.0
Drinking Milk Products	000 MT	1,171.5	1,240.4	1,309.3	2,126.5
Yogurt & Sour Milk	000 MT	212.1	208.9	220.7	238.5
Sub Total	000 MT	1,579.2	1,673.4	1,788.5	2,658.9
Other Dairy					
Condensed & Evaporated Milk	000 MT	544.4	558.7	571.5	582.4

	Total	000 MT	2,593.6	2,743.2	2,916.7	3,834.0
Plant-Based Milk		000 MT	72.2	80.6	85.5	94.1
	Sub Total	000 MT	712.6	760.2	814.3	855.7
Other Dairy		000 MT	168.2	201.5	242.8	273.2

Source: Euromonitor

This positive consumption trend is expected to continue next year supported by a robust economy, with waning inflationary pressures, rising disposable incomes, and increasing urbanization fueling consumer demand. As Indonesia's middle class expands, there will be a growing preference for premium and health-oriented options, further driving market diversification and innovation by leading industry players.

Indonesia does not produce skimmed milk powder (SMP) and the majority of imported SMP is recombined with local milk and other imported ingredients to form reconstituted milk. This product is generally cheaper than fresh pasteurized milk. SMP, along with lactose, is used as an ingredient in food manufacturing and the production of powdered milk beverages. As for WMP, besides being used in the food industry, most of the imported WMP is repackaged and sold in Indonesia's retail market.

Approximately 60 percent of dairy consumption is in the form of fresh and ultra-high temperature (UHT) pasteurized milk, flavored/fermented milk, and evaporated/condensed milk. The remaining 40 percent of consumption includes powdered milk, cheese, food service uses, confectionary production, bakery use, and pharmaceutical uses.

The largest driving factor of 2025 projected growth in consumption will be the new administration's Free Nutritious Meals Program, which will require more imported milk powder to produce reconstituted milk for distribution to the beneficiaries of this program until sufficient volumes of milk are produced domestically.

Free Nutritious Meals Program

Indonesia's new President Prabowo Subianto, who was recently sworn in on October 20, 2024, stated his administration will begin implementing his Free Nutritious Meals Program in early 2025. The program, one his most publicized campaign promises leading up to Indonesia's elections in February 2024, pledges to provide free daily lunch or breakfast for 82.7 million recipients (i.e., all K-12 students and lactating and expecting mothers). The table below shows the estimated breakdown of the program's target recipients.

Table 4. Recipients of the Free Nutritious Meals Program

Recipients' Category	Total Recipients (pax)	Milk Servings/day (milliliters)
Pre-school students	30,000,000	125
Elementary school students	24,000,000	125
Middle school (K6-9) students	9,800,000	200
General/vocational (K10-12) high school students	10,200,000	200
Islamic boarding school students	4,300,000	200
Expecting/lactating mothers	4,400,000	200
Total	82,700,000	

Source: https://www.kompas.com

According to coordinators of the program, every school day, these beneficiaries will receive one free meal with a balanced nutritional content determined by nutritionists assigned to central distribution kitchens by the government. By 2029, the program aims to set up 30,000 central distribution kitchens in every province of Indonesia. The new administration is currently preparing an annual budget of \$4.6 billion to cover the logistics of the first phase of this program in 2025, including the construction of 5,000 central distribution kitchens. Every day, each kitchen will prepare 3,000 servings of nutritious meals that will be delivered to nearby schools. Each program beneficiary will also receive a daily serving of shelf-stable (UHT) liquid milk as part of their free nutritious meal. Pre-school and elementary school students will receive a 125-milliliter serving of milk with each meal, while the rest of the beneficiaries will receive a 200-milliliter serving of milk.

The new administration is still preparing the legal infrastructure of this program by forming a Coordinating Ministry for Food and a National Nutrition Agency that will execute the program. Having just been established, these new institutions do not yet have regulatory provisions under which to implement the program. Post estimates that Indonesia will need an additional 4.7 million metric tons of milk annually to meet the demand of this program once implemented in full. It is Post's understanding from discussions with members of the new administration that the Free Nutritious Meals Program will be rolled out through a staggered approach, targeting 20 percent of total recipients in 2025 and adding another 20 percent every year until reaching 100 percent implementation in 2029.

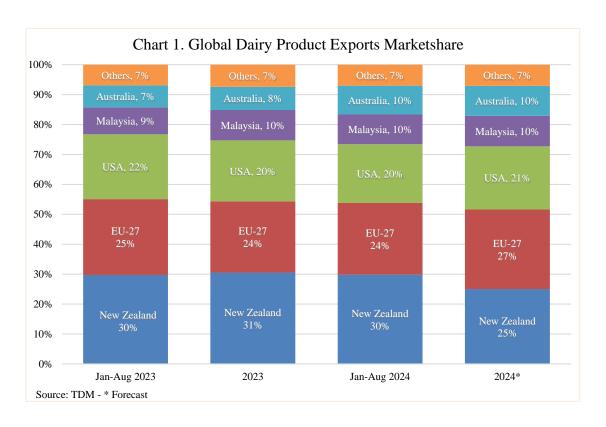
In line with this stated plan, the amount of milk required for the program will be 741,000 MT for 2025, which exceeds Indonesia's forecasted production. According to Indonesia's major dairy cooperatives, dairy farmers will generally not be able to divert their current fresh milk production to supply the Free Nutritious Meals Program since their current production is already contracted to supply private demand. A very large and rapid increase in the number of cows, feed, veterinary supplies, and infrastructure would be needed to produce the extra milk required to launch the program in 2025. Despite these challenges, at least four dairy processors are in communication with the government regarding their involvement in providing liquid milk for the program. Terms regarding ingredient composition requirements and procurement prices are reportedly not yet finalized.

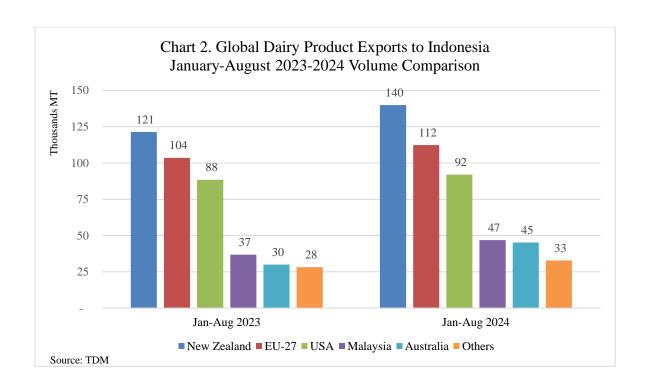
Currently, the new administration's target is for milk procured for the Free Nutritious Meals Program to be composed of at least 30 percent local milk. The Ministry of Agriculture aims to increase Indonesia's milk production to meet this new demand by importing more than one million dairy cows from several countries as noted above. The importation will reportedly be conducted gradually between 2025 to 2029 and will be fully funded by 53 private sector companies that have respectively pledged to import a certain number of cows at their own expense.

Post understands that only Australia currently has an active dairy cattle export protocol with Indonesia, and the rest of the countries mentioned above are still in the process of obtaining or renewing their dairy cattle export protocol. Given this constraint, building the dairy herd to the capacity necessary to meet the 30 percent local fresh milk content requirement will likely be gradual. In the meantime, Indonesia will need to meet the program's milk demand with imported milk powder. Due to higher international whole milk powder (WMP) prices and the desire to deliver this important program in the most cost-effective manner, Post believes imports of skim milk powder (SMP) will increase by 93,000 MT (43 percent) in 2025 to meet this demand. Based on 2024 projected consumption, the 2024 dairy demand will return back to 2022 levels at 4.2 million MT. In 2025, the dairy demand is projected to increase 26 percent to 5.3 million MT largely due to the drinking milk consumption increase under the Free Nutritious Meals Program.

Trade

Imports of all dairy ingredients from January-August 2024 are already 11 percent higher than during the same period of 2023. At this rate, Post forecasts total 2024 dairy ingredients imports will reach 688,150 MT. From January-August 2024, New Zealand exported 140,000 MT of dairy ingredients to Indonesia, making it the country with the largest market share at 30 percent, followed by EU-27 countries with a 24 percent market share. The United States, which exported 92,000 MT during that period, remains the third largest exporter to Indonesia with 20 percent market share. However, if current trends continue, Post forecasts that by the end of 2024, EU-27 countries will have overtaken New Zealand to become the market leader with 27 percent market share through their whey and SMP exports. New Zealand is projected to have the second largest market share with 25 percent, while the United States will maintain its third place with 21 percent market share.



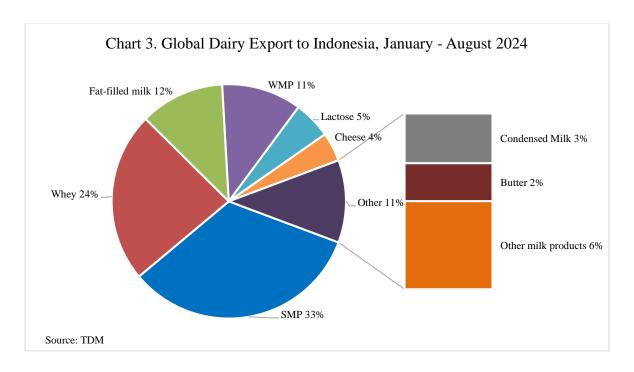


For the period of January-August 2024, Indonesia's imports of SMP increased by 15.5 percent year-on-year, maintaining it as the largest category of imported dairy ingredients, followed by whey of which imports increased 25 percent year-on-year. Imports of fat-filled milk and WMP decreased slightly by 0.2 and 3 percent respectively compared to the same period in 2023. Imports of lactose and cheese increased significantly by 12 and 8 percent respectively, despite their smaller volumes compared to the other imported dairy ingredients. Imports of other dairy ingredients increased as well, albeit below 2 percent on average.

Table 5. Global Exports of Dairy Products to Indonesia, 2020-2024

Products	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
SMP	MT	206,670	201,053	217,084	179,653	125,918	145,480
Whey	MT	111,814	134,645	120,762	115,820	82,387	102,989
Fat-filled milk	MT	110,361	117,352	60,782	62,709	51,184	51,083
WMP	MT	50,494	63,829	102,631	77,648	49,969	48,379
Lactose	MT	38,403	34,392	39,209	26,616	20,202	22,642
Cheese	MT	25,738	28,281	27,545	24,598	16,187	17,498
Condensed Milk	MT	20,470	21,392	19,964	20,993	13,879	14,138
Butter	MT	11,523	12,840	18,747	17,123	10,612	10,778
Other dairy products	MT	54,952	59,283	51,590	43,201	24,144	25,003
Total	MT	630,424	673,067	658,314	568,361	394,482	437,990

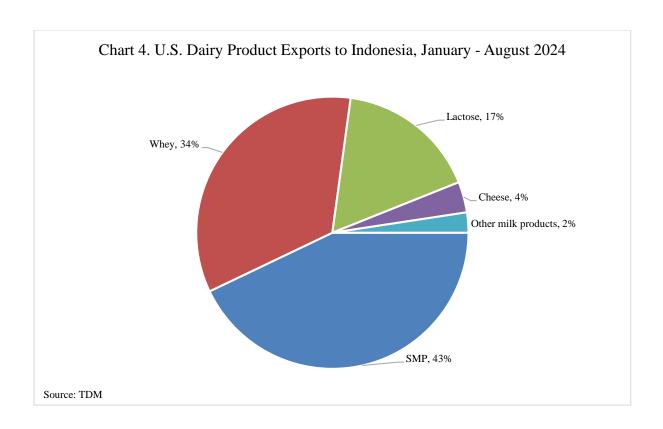
SMP is the main dairy ingredient imported by Indonesia, followed by whey, fat-filled milk, WMP, lactose, and cheese. Malaysia is the largest exporter of condensed milk to Indonesia at 12,824 MT, while New Zealand is the largest exporter of butter to Indonesia at 6,384 MT.



SMP is the largest U.S. dairy export to Indonesia, followed by whey, lactose, and cheese. The United States traditionally has the lowest SMP prices globally due to its abundant availability. However, U.S. exports of SMP and cheese for 2024 are projected to decrease by 19.1 and 6.1 percent respectively due to competition from New Zealand which benefits from a zero-tariff rate from its Free Trade Agreement with Indonesia and closer proximity compared to the United States. U.S. dairy exports to Indonesia are subject to the 5 percent Most Favored Nation tariff rate. One of the largest dairy processors in Indonesia regularly using U.S. SMP confirmed it reduced its procurement of U.S. SMP due to these factors. However, U.S. exports of other dairy ingredients to Indonesia are projected to increase by about four percent in 2024.

Table 6. U.S. Exports of Dairy Products to Indonesia, 2020-2024

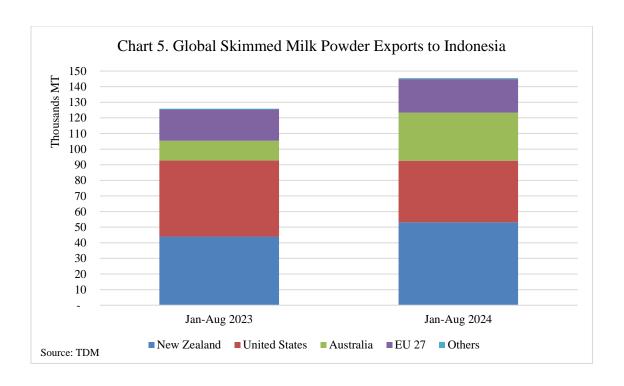
Products	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
SMP	MT	97,383	76,621	80,120	64,508	48,748	39,459
Whey	MT	30,018	26,795	33,168	30,901	21,160	31,488
Lactose	MT	23,482	21,351	26,292	18,630	13,809	15,445
Cheese	MT	8,543	6,885	8,612	5,025	3,575	3,356
Other	MT	2,226	2,054	3,822	1,567	1,161	2,206
Total	MT	161,652	133,706	152,014	120,631	88,453	91,954



Global exports of skimmed milk powder to Indonesia increased 15.5 percent in 2024. The implementation of the Free Nutritious Meals Program in 2025 is projected to increase Indonesia's imports of skimmed milk powder by 93,000 MT, a 43 percent increase from the 2024 volume.

Table 7. Global Exports of Skimmed Milk Powder to Indonesia, 2020-2024

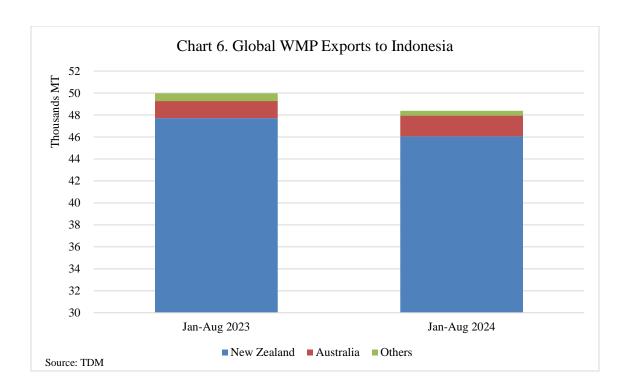
Country of Origin	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
New Zealand	MT	33,820	29,703	62,302	64,154	43,942	53,156
United States	MT	97,383	76,621	80,120	64,508	48,748	39,459
Australia	MT	28,109	27,958	31,145	23,581	12,696	30,674
EU 27	MT	45,044	64,505	42,926	26,874	20,006	21,527
Others	MT	2,314	2,266	591	536	526	664
Total	MT	206,670	201,053	217,084	179,653	125,918	145,480



Global exports of WMP are projected to decrease by 3.2 percent in 2024 due to lower demand, with users substituting WMP with fat-filled milk to reduce production costs.

Table 8. Global WMP Exports to Indonesia, 2020-2024

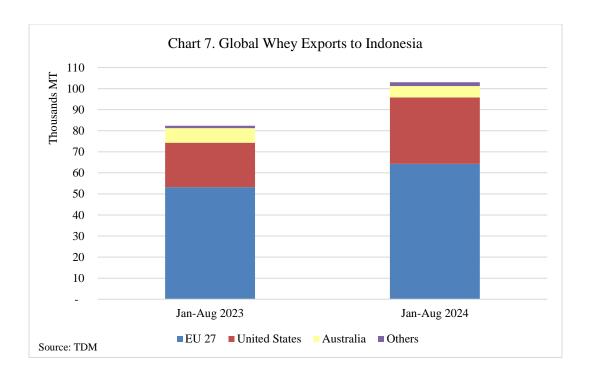
Country of Origin	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
New Zealand	MT	5,254	4,600	7,332	4,189	2,284	5,287
Australia	MT	4	2,434	7,627	2,296	1,569	1,881
Others	MT	3,411	3,721	1,391	1,488	690	439
Total	MT	8,669	10,755	16,350	7,973	4,543	7,607



Global exports of whey to Indonesia are forecast to increase 25 percent in 2024, with only Australia experiencing a decrease in exports (21 percent). Whey is used in the production of sweet-condensed milk and to some extent in the production of UHT reconstituted milk.

Table 9. Global Whey Export to Indonesia, 2020-2024

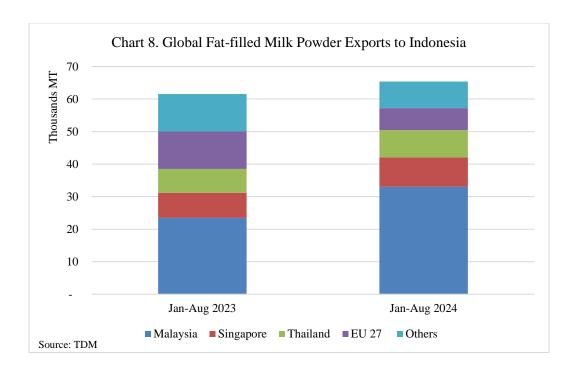
Country of Origin	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
EU 27	MT	67,789	93,899	75,661	73,488	53,148	64,296
United States	MT	30,018	26,795	33,168	30,901	21,160	31,488
Australia	MT	11,051	10,695	10,449	9,469	6,882	5,430
Others	MT	3,920	4,757	1,831	1,812	1,372	1,858
Total	MT	112,778	136,146	121,109	115,670	82,562	103,072



Imported fat-filled milk faces competition from local fat-filled milk which is often 40 percent cheaper. However, Indonesia's high demand for fat-filled milk drove exports to increase by a projected 6.2 percent this year. Exports of fat-filled milk to Indonesia are dominated by Southeast Asian suppliers who provide products blended with palm oil which are more acceptable to Indonesian consumers compared to European products which contain other vegetable oils that are unfamiliar to Indonesian taste buds.

Table 10. Global Exports of Fat-filled Milk to Indonesia, 2020-2024

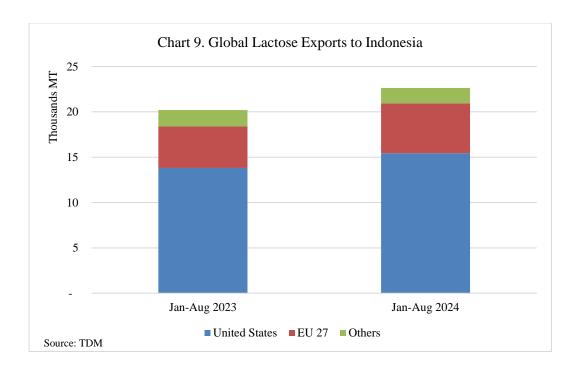
Country of origin	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
Malaysia	MT	40,855	40,545	34,298	40,265	23,455	32,993
Singapore	MT	21,506	16,030	12,317	11,004	7,722	9,080
Thailand	MT	14,612	17,303	11,194	11,040	7,345	8,396
EU 27	MT	12,230	13,863	16,584	14,471	11,497	6,762
Others	MT	21,159	29,611	17,102	17,377	11,529	8,139
Total	MT	110,362	117,352	91,495	94,157	61,548	65,370



Exports of lactose to Indonesia are forecast to increase 16 percent in 2024, with U.S. lactose exports to Indonesia set to increase about 12 percent. Lactose is also used for pharmaceutical purposes besides its use in the food industry.

Table 11. Global Exports of Lactose to Indonesia, 2020-2024

Country of Origin	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
United States	MT	23,482	21,351	26,292	18,630	13,809	15,445
EU 27	MT	12,731	9,985	11,219	5,907	4,582	5,498
Others	MT	1,737	2,461	1,034	1,012	763	1,238
Total	MT	37,950	33,797	38,545	25,549	19,154	22,181



Cheese exports to Indonesia are dominated by fresh cheese for further processing with vegetable oil to be sold as processed cheddar cheese. This type of cheese has been around for a long time in the Indonesian market and remains the most popular with consumers with the largest market share (almost 60 percent) according to Euromonitor. However, other types of cheese are also gaining in popularity, including mozzarella, which is used as a topping or filling for pizza and baked goods, and parmesan cheese. Indonesia's cheese imports for 2024 are forecast to increase 13 percent compared to last year.

Table 12. Global Cheese Exports to Indonesia, 2020-2024

Country of Origin	Unit	2020	2021	2022	2023	Jan-Aug 2023	Jan-Aug 2024
New Zealand	MT	3,401	4,043	3,771	3,810	2,450	2,586
United States	MT	8,543	6,885	8,612	5,025	3,575	3,356
EU 27	MT	1,931	3,573	4,257	4,095	2,595	3,209
Australia	MT	2,257	3,141	3,360	2,846	1,848	2,651
Others	MT	100	202	257	8	305	397
Total	MT	16,232	17,844	20,257	15,784	10,773	12,199



Production, Supply, and Distribution Data Statistics:

PSD: Skimmed Milk Powder

Dairy, Milk, Nonfat Dry	2023 Jan 2023		2024 Jan 2024		2025 Jan 2025	
Market Year Begins						
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	11	11	11	9	0	10
Production (1000 MT)	0	0	0	0	0	0
Other Imports (1000 MT)	182	180	195	216	0	308
Total Imports (1000 MT)	182	180	195	216	0	308
Total Supply (1000 MT)	193	191	206	225	0	318
Other Exports (1000 MT)	2	2	1	1	0	0
Total Exports (1000 MT)	2	2	1	1	0	0
Human Dom. Consumption (1000 MT)	180	180	194	214	0	311
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	180	180	194	214	0	311
Total Use (1000 MT)	182	182	195	215	0	311
Ending Stocks (1000 MT)	11	9	11	10	0	7
Total Distribution (1000 MT)	193	191	206	225	0	318
(1000 MT)						l

OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query

PSD: Whole Milk Powder

Dairy, Dry Whole Milk Powder	2023 Jan 2023		2024 Jan 2024		2025 Jan 2025	
Market Year Begins						
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	8	8	9	18	0	18
Production (1000 MT)	61	72	65	68	0	75
Other Imports (1000 MT)	80	77	65	68	0	71
Total Imports (1000 MT)	80	77	65	68	0	71
Total Supply (1000 MT)	149	157	139	154	0	164
Other Exports (1000 MT)	0	1	0	1	0	1
Total Exports (1000 MT)	0	1	0	1	0	1
Human Dom. Consumption (1000 MT)	140	138	134	135	0	141
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	140	138	134	135	0	141
Total Use (1000 MT)	140	139	134	136	0	142
Ending Stocks (1000 MT)	9	18	5	18	0	22
Total Distribution (1000 MT)	149	157	139	154	0	164
(1000 MT)						

OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query

Attachments:

No Attachments