

## **Minister for Agriculture & Food official visit to Singapore and Indonesia**

**22 July – 28 July 2013**

### **Delegation**

The Hon. Ken Baston MLC, Minister for Agriculture and Food

Mr. Trevor Wittington – Minister's Chief of Staff

Mr. Rob Delane – Director General, Department of Agriculture & Food (22 – 25 July)

Mr. Simon Johnson – Director, Trade Development, Department of Agriculture & Food

### **Local Support**

Mr. John Osborn – Regional Director, WA Trade Office, Singapore

Ms Kellie Jane Pritchard – Regional Director, WA Trade Office, Indonesia

### **Monday 22 July**

Depart Perth for Singapore

### **Tuesday 23 July 2013 - Singapore**

#### **Briefing from Austrade Singapore**

- Singapore is a regional hub for finance and commerce as well as its important logistics role.
- Resource security for water, energy and food is a priority for the Singaporean Government
- Singapore has high median income levels reflected in advanced consumer tastes and preferences. NTUC FairPrice (Singapore's leading supermarket chain) imports around \$1 billion from Australia, representing around 9% of their business. Singapore considers itself 'border less' with local companies outwardly focused with the world as their market. The economy is growing steadily and, increasingly, is becoming the location of regional head offices for multinational corporations including in the oil and gas and finance industries.
- Singapore does not typically invest in agriculture however Temasek International is looking at opportunities in the agri-food sector. There is growing interest in turning Singapore into a regional distribution hub for food into Asia. The large community of local traders, analysts and financiers gives them a competitive advantage.

- Singapore is the fourth largest foreign investor into Australia with 10-15% of their portfolio in Australia. Their investment focus to date has been on NSW and Victoria and it is important that information on what WA has to offer is widely available. In this regard, WA is unique in that it is the only State with an office in Singapore.
- Singaporeans are discerning consumers and are aware of Australian products which are held in high regard for quality and safety. WA businesses should be encouraged to investigate where they can add value or extend product range. For example, Western Australia has an excellent record in liquid white milk export but we should be looking to extend this further into greater presence of flavoured milk, yoghurts and other dairy products such as Mundella Dairy are doing in developing products specific to the Singapore market.
- Singapore is an open and, therefore, a competitive market. This is clearly demonstrated in the wine market where Australia's market share has dropped from over 40% to 28% with South Africa, Chile and Italy gaining business at Australia's expense.
- The Singaporean Government has a major role in food security and management of the food supply chain and funds relevant projects, through their Agri-food and Veterinary Authority, which could create opportunities for the WA industry.
- To be successful in the Singapore market, companies need to be targeted and have a Singapore/regional strategy that is aligned with their government's initiatives. Investment opportunities should be developed which can be marketed in Singapore and the region more broadly.

### **Sheng Siong Supermarket Group**

- Company founded in 1985 by the Lim family. The company was listed on the Singapore stock exchange in 2011. Current turnover \$634 million, 33 outlets, 2500 employees and a new 4 story warehouse and distribution centre. Looking to launch an e-commerce platform later this year.
- Currently importing 182 TEU (Twenty foot container equivalents) of fruit and 780 TEUs of vegetables, The company has commenced importing directly from suppliers in WA with an initial consignment of 5 TEU of carrots
- Following a recent visit to WA, hosted by DAFWA, Sheng Siong expressed a preference to broaden the range of WA product, especially as there is a surplus airfreight capacity from Perth to Singapore.
- They will continue to work closely with DAFWA to source products and provide opportunities for in store promotions.

## **NTUC FairPrice**

- NTUC FairPrice is Singapore's leading retailer with over 50% market share of the country's grocery market. They have a long association with Western Australia and have signed annual, fixed price contracts for the supply of carrots from Centre West and Sumich. These new arrangements are working well.
- NTUC Fair Price have developed an Online shopping platform which is proving to be very popular.
- They are keen to buy from WA, but have found the range of products limited to fresh products, such as carrots, and some fruits available through local importers, such as strawberries, apples and occasionally stone fruit. They purchase UHT milk from Harvey Fresh and chilled pork, beef and mutton through local agents.
- Twice a year, in April and September, they host an Australian promotion in partnership with local exporters and distributors. The promotion is co-ordinated through Austrade and should receive greater attention from Western Australia to promote local products.
- Australian and Western Australian products have established a good reputation and are trusted. Consumers look at the country of origin and are concerned with traceability so there is a need to build greater confidence over Australian origins.
- The company continues to investigate opportunities for new products. Australian broccoli sells well despite being significantly more expensive than product from China. They consider opportunities exist for dairy products, stone fruit, table grapes, citrus, and strawberries. WA does not have a strong presence in the supply of grocery items but there is an ongoing interest in wine.
- NTUC FairPrice has established a store in Vietnam.

## **Westpac Institutional Bank**

- Australian banks have a strong presence in the region. Westpac has a wide range of services available in Singapore.
- Investment in agriculture has to compete for funds with the property sector and, if property is performing well, opportunities for investment in agriculture are limited. There are a few local investors interested in agriculture and Australia has the attraction of offering large tracts of land. Depreciation of the Australian dollar has assisted investment decisions. A common question posed by investors is why Australian superannuation funds are not investing in the agri-food sector?
- It was suggested that the WA Government needs to engage with companies such as Cargills, Glencore, Louis Dreyfus, Bunge and Nobles in order to better understand what longer term investment opportunities exist in the agri-food sector

- Australia is competing with South America and Africa for the available pool of funds with investors having some concern over Australian foreign investment regulations, taxation and red and green tape. There is a need for stability and certainty.
- Australia and WA could be marketed effectively via the provision of better information on projects or investment opportunities. Agriculture should be marketed as an alternative opportunity which can attract investment.
- Investment opportunities have to be on sufficient scale to attract international fund managers otherwise we potentially become a 'hobby' investment destination.
- Australia should place more emphasis on understanding Asian. There is a need to think long term in invest strategies. The strong growth in inter-Asia trade and investment should provide opportunities for participation from Western Australia businesses.
- WA is to be complimented on having established an office in Singapore which is doing a good job of promoting the state.

### **Temasek International**

- Temasek is an investment vehicle of the Singapore Government, incorporated in 1974, with a S\$215 billion investment portfolio. The investment focus has been on Singapore and other Asian countries or countries with business exposure to Asia, including Australia.
- The value of the Australian dollar, high entry prices and maturity of the market has made achieving high returns in Australia difficult.
- Agriculture is a new focus for Temasek. They have an interest in cattle and beef production which is directed at export in Asia. They are investigating the establishment of boning operations in Singapore. Northern Australia looks promising as a potential investment region. In addition, they are looking at other potential and less risky supply chain investments although they have no specific proposals at this time.
- Their preference is to be an equity investor rather than a purchaser of farm land. They provide capital at the primary stage to be injected into the business to facilitate the company's growth as a financial investor as opposed to running the company.
- They look at investments in the \$50 million to \$100 million range although investments involving new technology could require additional capital.
- They indicated that they would be considered a long term investor. Temasek would not be interested in investing in agrifood infrastructure but have an interest in businesses with links to Indonesia and Thailand

- Temasek has always had an interest in investing in pioneering technology, businesses associated with agriculture and small private companies with a unique product looking to position themselves in Asia. eg RFID technology, chemical fingerprinting. They also like to be part of the company's next growth stage and pulling together fragmented companies that can then take advantage of opportunities in Asia

### **National Australia Bank (NAB)**

- NAB works with existing investors into Australia and clients looking at trade into Asia. Their Asian head office recently moved from Hong Kong to Singapore along with 170 staff.
- NAB is the largest agribusiness bank in Australia and consider themselves a conduit for businesses looking to expand into Asia and for investors looking to place funds in Australia. They have specialists in agribusiness as well as other industries in Singapore.
- 80% of their business is from Asia to Australia. They are working with capital constrained businesses in Australia who are looking at Joint Venture opportunities.
- NAB plays a facilitating role in introducing potential investors and it provides this service selectively through their agri bankers in Australia.
- To capitalise on the Asian market, projects need to be an adequate size with a focus on sectors other than grains. NAB suggested WA re-focus on sectors that have been forgotten in the commodity boom.

### **ANZ Banking Group**

- Huge demand for liquidity in Australia. Great interest from Asian investors but converting interest into a transaction is difficult. One reason is that sovereign funds find it hard to get their mindset around Australia because the size of projects tend to be too small. There are few billion dollar deals and transaction costs and uncertainties can weigh heavily on the market.
- There is a finite window before funds are directed to other countries
- Australia is more welcoming than New Zealand, USA and Canada and has a good legal framework which adds confidence to overseas investors.
- Need support from government to build up a list of investment opportunities, including farm consolidations. There is also a need to package investment opportunities.

## **Dinner meeting with Australian High Commissioner**

The High Commissioner hosted a dinner in the Minister's honour and invited senior government officials and business leaders involved in the agri-food sector as well as banking and finance. Comments from guests re-enforced those made by the business people the delegation had met earlier in the day.

## **Wednesday 24 July 2013**

Departed Singapore for Jakarta.

### **Ranch Market**

- Ranch Market is a leading high end supermarket located in the centre of Jakarta.
- The visit to the supermarket provided the delegation with an opportunity to see the wide range of imported products carried in the complex.

### **Australian Embassy Briefing**

- Indonesia has renewed confidence with its place in the world. GDP is estimated at a trillion dollar and it is a member of the G20. There is growing nationalism although corruption remains an issue and the business environment difficult leading up to the elections in 2014.
- Economic growth is strong with good fiscal and macroeconomic settings. The country has a young, dynamic population with a growing middle class. The economy is predominantly domestically driven. Income distribution is becoming an increasingly important issue with 110 million people on \$2 per day. It is estimated that an additional 1 million people would be considered middle class each year with the number in the middle classes reaching 100 million by 2030.
- There is a need to develop new business models which include investment strategies in Indonesia as well as the supply chain in Australia. We need to articulate our role more carefully but there is a need for Indonesia to have a regulatory environment that is more certain. Trade is in Australia's favour by a ratio of 5:1.
- Bi-lateral relations have been firming despite some remaining key differences. The relationship with the current President has been particularly positive. Following the presidential election in 2014 relations might be more complex as the presidential candidates are not as familiar with Australia.
- Food prices are becoming an increasing issue with food inflation and price stabilisation receiving government attention. The goal of being self-sufficient in the key sectors, including rice, beef and seafood, by 2014 has not been achieved however, it is important that this aspiration is recognised.

- The government's decision to allow an additional 25,000 live cattle to be imported has so far resulted in only one permit being issued. The relationship between the agriculture and trade ministries is poor and there are unresolved tensions in the Indonesian cabinet relating to agriculture and self-sufficiency.
- Assorted issues remain to be resolved concerning productive heifer protocols.
- Cattle numbers are estimated to be declining in Indonesia at a rate of around 1 million head per year largely driven by the numerous small farmers using cattle as cash reserves. Training and technical support are considered necessary to reverse this trend and it was suggested that Western Australian could focus support on East Java and South East Sulawesi, which have more cattle breeders judged to be mid to large output.
- Brazil is pushing hard for the Indonesian Government to remove the foot and mouth prohibition law so they can export their product and provide Indonesia with an alternative to Australia.
- Indonesia is a complex country and successful trade development requires patience and a long term perspective.
- Sourcing Indonesian investment in Australia will be difficult as their businesses are more focused on domestic opportunities with the growing middle class. It is estimated that there is \$400 million Indonesian investment in Australia.
- The Indonesian government is keen to encourage investment in processing with output being exported to a 3rd country. The ASEAN free trade zone comes into effect on 1/1/2015 which will encourage such investment.
- Business to business missions to Indonesia are encouraged to enhance understanding of the market. There is also a need to broaden the relationship beyond beef and cattle to include grains, horticulture, skills training and investment.

**Thursday 25 July 2013**

**Indonesian Minister of Agriculture, Dr IR H SUSWONO**

- Following introductions from both delegations, Minister Suswano stressed that he sees Australia as an important partner and that both countries complimented each other with Australia being a supplier of high quality, safe food and Indonesia as a major market.
- Indonesia is keen to see increased investment by Australian companies in their agri-food sector. The Minister stated that Indonesia needs additional supplies of beef because of increased local consumption while local production can't currently satisfy demand.

- Ongoing cooperation between Indonesia and Australia is welcome, including investment along supply chains in each country in order to build up Indonesian cattle numbers. This includes possible joint ventures, the supply of productive cattle or the procurement of cattle stations by Indonesian companies. Two way investments he considers would produce a sustainable industry and a 'win win' relationship.
- Minister Baston advised that there was increased cooperation in Australia with the Agriculture Ministers from the northern States meeting on a regular basis. The next meeting which is scheduled to take place in Broome and a formal invitation will be sent to Minister Suswano to attend.
- Western Australia is keen to build a strong relationship with Indonesia beyond beef and cattle. Western Australia is a supplier of safe, high quality food and is a major supplier of wheat to Indonesia as well as horticulture products. There are opportunities for technical exchanges and training in order to meet Indonesia's challenges which would be mutually beneficial. Food safety was identified as an area of interest by the Indonesian delegation. Other examples discussed include pasture management and a program for young people to gain work experience, such as a program focused on dairy with the New Zealand Government.
- Minister Suswano advised that there is an agriculture, forestry and fisheries working group in place between the Australian Federal Government and Indonesia. The next meeting is scheduled to take place in 2014 in Indonesia following the previous meeting which was held in Perth. This is a good forum to exchange ideas and develop initiatives and Western Australia is encouraged to participate.
- Minister Baston is supportive and keen for Western Australia to develop initiatives that will strengthen the bi-lateral relationship with Indonesia.

### **Ministry of State Owned Enterprises**

- There are over 112 state owned enterprises (SOE) in Indonesia across all sectors.
- The Ministry is the main shareholder but not the regulator. Regulations are determined by the appropriate ministry.
- The Ministry is interested in investing in Australia with particular emphasis on cattle stations in northern Australia. Australia's foreign investment regulations were explained and discussed. The interest in investing in cattle stations is reflects the importance of maintaining a strong supply chain for live cattle between Australia and Indonesia.
- PT Putuk Indonesia is a large fertilizer manufacturer and has been identified as the company that will follow up any investment proposal in cattle station. They have visited Queensland and met three companies. They are also looking at options for exporting fertiliser in exchange for investing in our cattle industry.
- They are still open to options although we were advised that existing negotiations have reached the due diligence stage on some identified properties. Once this has been completed a report would be presented to government for their consideration.



- There was interest in the Australian party investing in an abattoir in Indonesia as part of the deal to service the local market as well as the re-export of beef to third countries in the Middle East.
- It was not clear whether cattle from Indonesia owned stations in Australia will be covered by import quota limitations.
- It was agreed that we would provide contacts of possible properties in Western Australia through the WA Trade office.

## Ministry of Trade

- Australian Ministers are welcome and they are receptive to a close dialogue in order to increase trade and investment with Western Australia's noting our strong performance in exporting wheat, cattle, beef and horticulture products
- The relationship has got to move beyond just trade. It must include investment and be beyond the Indonesian market to include ASEAN countries which, from 1<sup>ST</sup> January 2015, will become a free trade area. There are opportunities to use Indonesia as a base to access markets in the Middle East as well as China and North Asia.
- Australia and Indonesia have their differences which have to be worked out. We are neighbours and there is a need to work through issues, develop stronger people to people contacts and build a stronger understanding of each other.
- From the Western Australian perspective, the importance of close communication in order to build trust was acknowledged. There was close collaboration with the three northern Australian States on cattle and other common issues, including the relationship with Indonesia.
- The Western Australian Government, through DAFWA, has signed an MOU with the Government of S.E. Sulawesi concerning livestock management. There was ongoing dialogue with East Java on dairy production and livestock management. WA was working closely with KOPTI for the use of lupins in the production of Tempe and the WA Government was working with ACAIR on developing seed potatoes in East Java and Lombok. CBH Group is in partnership with Salim in a major flour mill in Makassar which is a significant investment in Indonesia's agri-food sector.
- Western Australia's business to business relations are strong with Indonesia which is now WA's second largest export market, valued at \$617 million in 2012/13.
- In the longer term, areas such as services, logistics, inter island shipping, supporting infrastructure and quarantine cooperation should be investigated further.
- A formal invitation will be sent to the Deputy Minister to attend the next meeting of the three northern State Agriculture Ministers which will be held in Broome.

## **National Meat Processors Association (NAMPA)**

- The Association is comprised of 31 members throughout Indonesia and its members account for more than half of the total quota for imported beef. Members are also involved in importing poultry and pork.
- Around 70-80% of their beef is processed into products such as hamburgers and sausages. We were advised that quotas were insufficient to meet demand and NAMPA were hopeful quota tonnages will increase next year. Their current demand is around 20,000 mt per year while their current quota is 14,500 mt, sourced from the 32,000 mt national quota.
- They are hopeful that a separate quota will be established for manufacturing beef.
- They are also interested in Australian investment in meat processing as well as assistance in capacity building, technical advice and hygiene, food safety and packaging issues with the aim of re-exporting product.

## **Agribusiness Roundtable Dinner**

- The dinner provided an opportunity for an informal discussion on the beef industry as well as a broader perspective of the Indonesian economy.
- A PowerPoint presentation on the current situation within the Indonesia live cattle and beef industry was given and information included:
  - Beef consumption in Jakarta and major cities is around 10kgs per head although it is very limited in the regions.
  - There is a lot of complex political activity leading up to the election.
  - The regular review of regulations can result in additional regulations without the removal of outdated legislation. This may result in a lack of transparency and can act as a barrier to trade.
  - To counter trade deficits the government can cut imports, revising the 1996 food laws which may result in unsatisfied local demand. The introduction of tighter quarantine laws can compound the situation.
  - There is a need for much better coordination across government and industry in Australia. Cooperation between the three northern Agriculture Ministers is seen as a good strategy.
  - Establishing a cattle breeding strategy in Eastern Indonesia to reduce calf mortality, improve genetics and feed quality is viewed as a positive objective. Governments can facilitate joint projects but it is ultimately business to business relationships which will be most beneficial.

- The highest 25% of Indonesian income earners receive more than the average Australian wage. Indonesia is a rapidly growing market and Australia should pay it more attention.
- Look to establish strong joint ventures with Indonesia working closely with pastoral companies to invest in Eastern Indonesia.
- An industry specialist located in Indonesia is considered to be a productive investment.
- Coordinated messaging between government and industry both in Australia and Indonesia should be encouraged.
- Investment in education of the consumer as to the virtues of particular products, being mindful it is the maid who does the shopping.
- Food safety knowledge is more or less non-existent and Australia has a great reputation.

**Friday 26 July 2013**

**PT Eastern Pearl Flour Mill**

- PT Eastern Pearl Flour Mill is owned by Interflour – a joint venture between CBH Group and the Salim Group. They operate a large flour mill in Makassar.
- Competition is growing from an increasing number of small regional flour mills that have a capacity of 5-600 mt per day. It is anticipated that there will be 24 mills operating in Indonesia in the coming years.
- Demand for quality product is increasing.
- The purchase of wheat is undertaken centrally with up to 65% being shipped from Western Australia.
- AEGIC's role is not really well known but the company is keen for information on their services and, from our discussions, are positive about their role.
- The group's research and development centre is in Malaysia and there may be benefits from working directly with the mill in Makassar. Interflour is setting up a baking centre in Jakarta.

**Fruit and Vegetable Importers Association**

- The Association has 29 members and was formed in 2007. Membership is comprised of companies based predominately in Jakarta although there are members in Surabaya and Medan. Members account for 70% of Indonesia fruit and vegetables imports.

- There is interest in importing brown onions, lettuce and pears. These opportunities will be circulated to exporters and worked through the WA Trade Office. Carrots are imported from China as prices are much lower than the Australian product.
- Importers have to secure import permits nominating information which includes country of origin and discharge port and, once issued, cannot be amended. These regulations are an impediment to trade. There is a need for continuous monitoring of the import regulations so suppliers can be kept informed. Imports from China and other low cost countries undercut local producers which have led to the restrictions.
- The main market is greater Jakarta.

### **Seed Potato (Mr Tom Fox and Partner)**

- The company perceives growing opportunities for Australian seed potatoes in Indonesia. Poor yields in Indonesia are brought about by poor quality local seed.
- They perceive a potential to grow the export industry from \$6 million to \$60 million but believe there is a need for strong cooperation on technical, quarantine and market access issues between all parties. They have concern that the opportunity for seed potatoes is not fully understood.
- It was recognised that the WA Government has a long association with the seed potato industry in Indonesia, in particular with East Java and, more recently, Lombok.
- The demand for seed in Indonesia is estimated annually at around 120,000 to 130,000 million tonnes. If the farmers were provided with high quality seed their yields would increase from 8 to 32 mt pa. There is a need for WA to develop stronger linkages with the Indonesian seed industry and work with them. It was suggested that greater collaboration would result in increased exports. The goal is to secure 15-20% of the market.
- WA growers have used the 457 Traineeship Visa to bring up to 20 Indonesian growers for 12 months. This has proved a great success and it is hoped it will continue.

### **PT Indoguna and Pt Sukanda Djaya**

- Both companies are major importers of food products primarily serving high end supermarkets, hotels and restaurants as well as the food service industry in general.
- PT Indoguna started operations 1982 as a beef importer. It now imports over 1000 items including beef, lamb, seafood, small goods, dairy products and processed foods from Australia, USA, and New Zealand. They are agents for various Australian products (all from the Eastern States). They maintain offices in Singapore, Hong Kong, Dubai and Sydney.

- They are very familiar with Western Australia and import product from Harvey Beef, WAMMCO and Western Meat Packers. Currently using the new direct Perth to Jakarta air service to import chilled lamb from WA.
- Imports of beef are down from a high of 3000 mt to 300 mt since the introduction of import quotas. There is some issue with the inconsistent quality of WA product in comparison with Victoria and other States. This will be followed up.
- Complimentary about WAMMCO quality and follow up, also with the Waygu Beef good quality from Margaret River.
- PT Indoguna now concentrating on processed foods for supermarkets. The comment was made that some Australian companies were not flexible with product, labelling, specifications etc. unlike European suppliers.
- The process to get imported food products into Indonesia is complex and time consuming with many steps to be undertaken. Business needs to think long term. Companies wanting to sell their product into Indonesia need to be export ready.
- PT Sukanada Djaya is part of Diamond Cold Storage Dairy Company. They are currently importing dairy products as well as beef (prime cuts), and fruit juices. Their focus is on the food services sector. They buy from Harvey Beef, Harvey Fresh and WAMMCO. They commented that lamb has a reputation in Indonesia for giving high blood pressure which we understand the MLA have provided funds to counter this claim.
- They are looking for assistance in identifying suppliers of cheese, honey and confectionary. The WA Trade Office will follow up these enquiries.

### **PT Indofood / Bogasari Flour Mills**

- PT Indofood/PT Bogasari is the largest flour miller, wheat importer in Indonesia and consequently WA's single most important client. They operate two flour mills that are located in Jakarta (production 9000 mt pd) and Surabaya (5120 mt pd). They operate 15 lines in Jakarta and 8 in Surabaya and have established a baking centre in Jakarta. Bogasari have a market share of 51% and are looking to increase capacity by up to 7500 mt pd with the construction of a new mill on Bintang Island which is close to Singapore.
- There are currently 22 flour mills in Indonesia and it is anticipated that the number will increase to 24 or 25 in the coming years. They are all located in Java except for 4. The industry see themselves are becoming a major exporter of flour to the region.
- Growth is expected to be in the region of 7% which exceeds Indonesia's economic growth.
- There are issues with imported flour mainly from Turkey. However, with the increase in import duty imports have slowed. One Turkish company is now looking to establishing a flour mill in Indonesia.

- Australia has a market share of 70% followed by Canada with 15% and the USA with 11%. The majority of Australian wheat comes from Western Australia. There are growing imports from Ukraine and Russia due to the fact that their product is US\$15 mt cheaper. India is also another competitor although their product is of poor quality.
- PT Indofood are also involved in importing bakery equipment and education in baking. There are some 30 baking training centres in Indonesia and they would be keen to work with Western Australia to look for new formulas and products in order to increase demand.
- There was a request to simplify and control the types of wheat as it is getting complicated and there is a need for greater standardisation.
- AEGIC is known and recognised and they are keen to establish a strong working relationship with them.

### **Departed Jakarta for Lampung**

**Saturday 27 July 2013 - Lampung**

### **PT Great Giant Pineapple**

- The project commenced in 1972. PT Great Giant Pineapple operates a farm of 32,000 ha of which 80% is assigned to growing pineapples with the total production (80,000 mt) is exported to USA and the EU. In addition to pineapples they also grow cassava, bamboo and palm oil.
- They also operate a cattle feedlot using pineapple waste as a base for their feed. The 32,000 ha farm has been designated by the Indonesian Government as a bonded zone with up to 25% of production allowed to be sold locally. The balance has to be exported.
- Started a cattle feedlot in 1987 and in 2009 they imported 96,000 head all from Australia. Since the introduction of quotas numbers have dropped to 20,000. Currently they supply cattle to 20 ESCAS approved abattoirs which are located on Java.
- They hold the cattle for 100 to 120 days in the feedlot before transporting them to Java. The feedlot has the capacity to hold 30,000 head at any one time and can turnover around 100,000 head per year.
- PT Great Giant Pineapple Company receives the largest quota which is 16,875 head per year.
- They have plans to build an abattoir in Lampung but because of uncertainty of securing supply of cattle the project is on hold. Because their farm is a bonded zone they are interested in developing an export only abattoir on their property to sell beef to 3<sup>rd</sup> countries.
- This is an opportunity for a joint venture with an Australian company who's able to provide the expertise and some capital.

- However there are still some issues in importing cattle into a bonded zone. We were advised the Ministry for Finance sees no problem in importing cattle outside quota. The Ministry of Trade is also reported to be supportive but the Ministry of Agriculture may have concerns. Resolving these issues will take time.
- A cattle breeding program has been established. Local cattle have poor genetics, are of poor quality with local farmers selling them either in an emergency or using them for strategic savings. Cattle are not seen by farmers as a commodity. Majority of cattle managed by small land holders.
- In addition to establishing an export abattoir there is interest in establishing a dairy operation. With increased pineapple waste there is a need to look at moving into dairy because they cannot import sufficient live cattle through the current quota system. They will be importing 200 dairy cows as a trial and have engaged the services of a consultant to help them.
- A very impressive operation and run by a company with great vision.

### **Elders Indonesia**

- The feedlot in Lampung is wholly owned by Elders Limited and the delegation was afforded the opportunity to visit the feedlot. Elders also own and operate an abattoir near Bogor (Java) and was the first feedlot and abattoir to be ESCAS approved.
- As highlighted throughout the report importers of live cattle and feedlot operators have been seriously impacted by the ban of live cattle exports from Australia and the Indonesian Government quotas. Elders are no exception.
- It was suggested that there is a need for a circuit breaker in order to bring all parties together that will assist local suppliers as well as assist Indonesian farmers to establish a viable cattle and beef industry.
- A suggestion was made that the Australian Government, together with the 3 States that export live cattle, negotiate with the Indonesian Government the supply of up to 10,000 head of breeder cattle with the appropriate support over three years. This would be seen as a positive gesture by the Indonesian Government and could provide the necessary break through to re-energise the trade onto a more sustainable footing.
- This would be an initiative that would require government and industry support.

### **Return Flight to Jakarta**

## **PT Aneka Food Tatarasa Industri and PT Mitra International Resources**

- The above companies have investments in Australia which include agriculture.
- The meeting provided the chance to discuss investment opportunities in the agri-food sector as well as gain valuable insight as to how Indonesian companies see Western Australia as an investment destination, particularly in the agri-food sector.
- It also provided an opportunity to introduce the WA Trade Office and the services they provide to Indonesian companies.
- The Trade Office will maintain close contact and assist with any investment enquiries.

## **Sunday 28<sup>th</sup> July**

Depart Jakarta for Perth, using the new direct service operated by Garuda Indonesia.