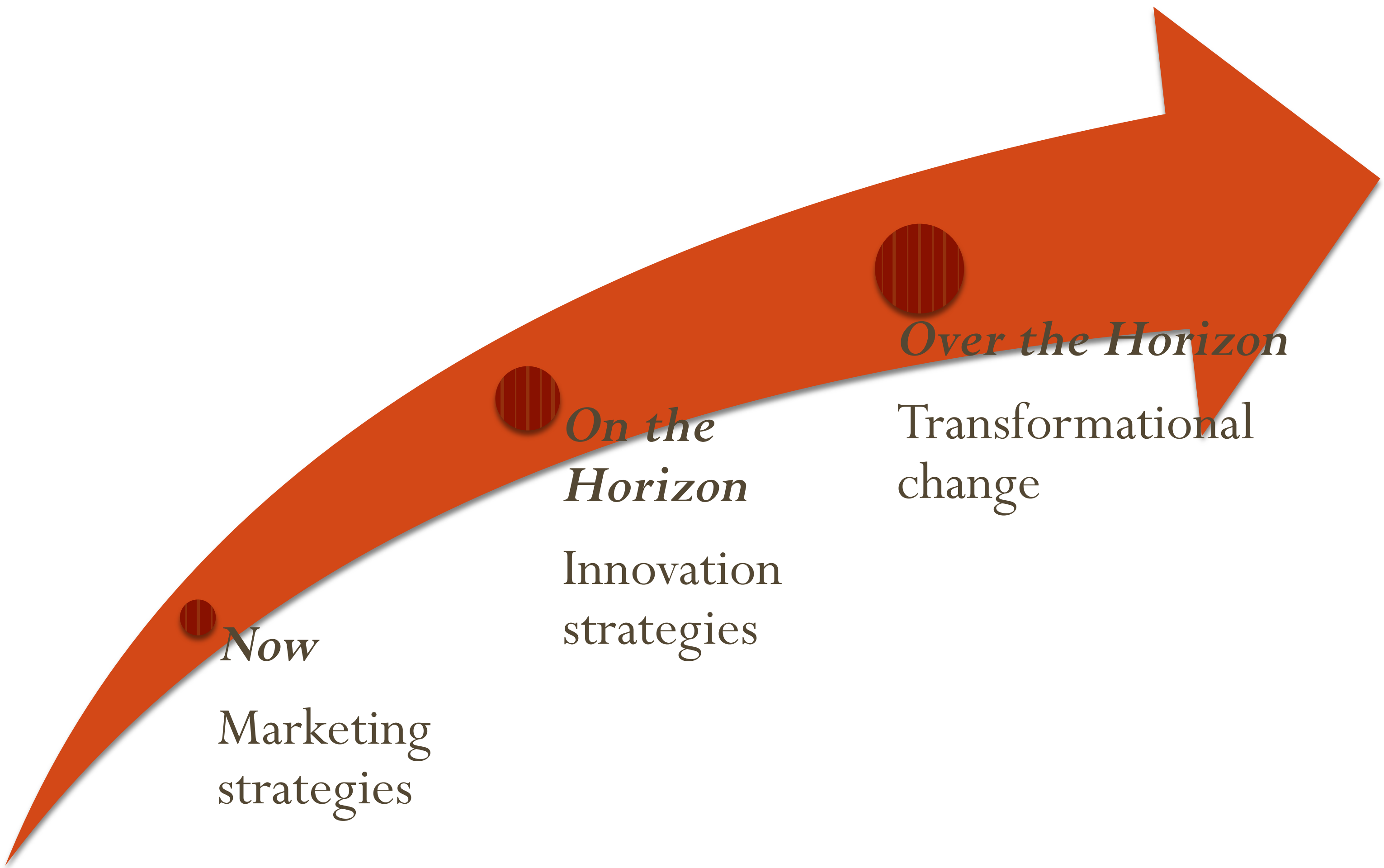
THE UNIVERSITY of ADELAIDE

Global Food Studies

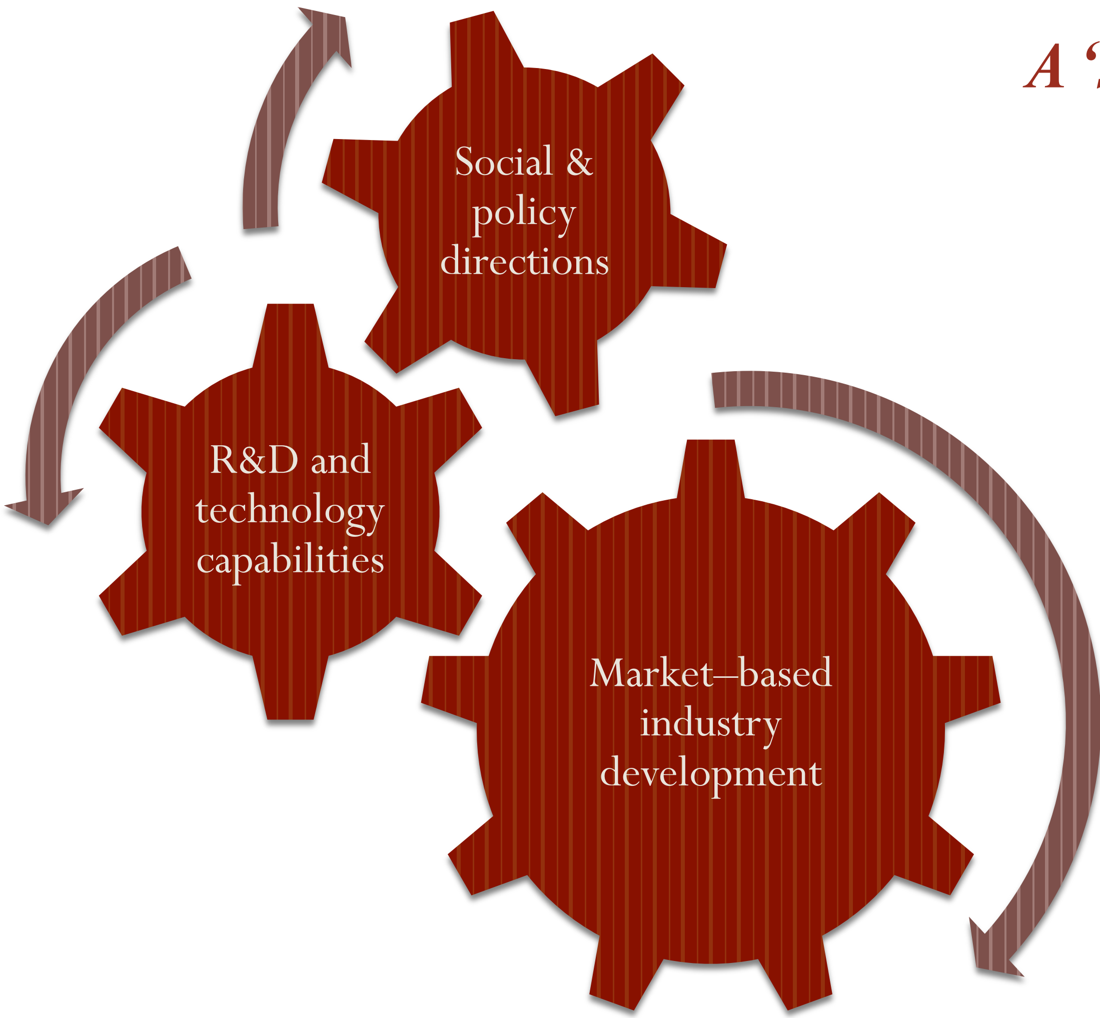
Market insights to drive food value chain innovation & growth

Rural R&D for Profit Programme

Global Marketing & Innovation Strategies



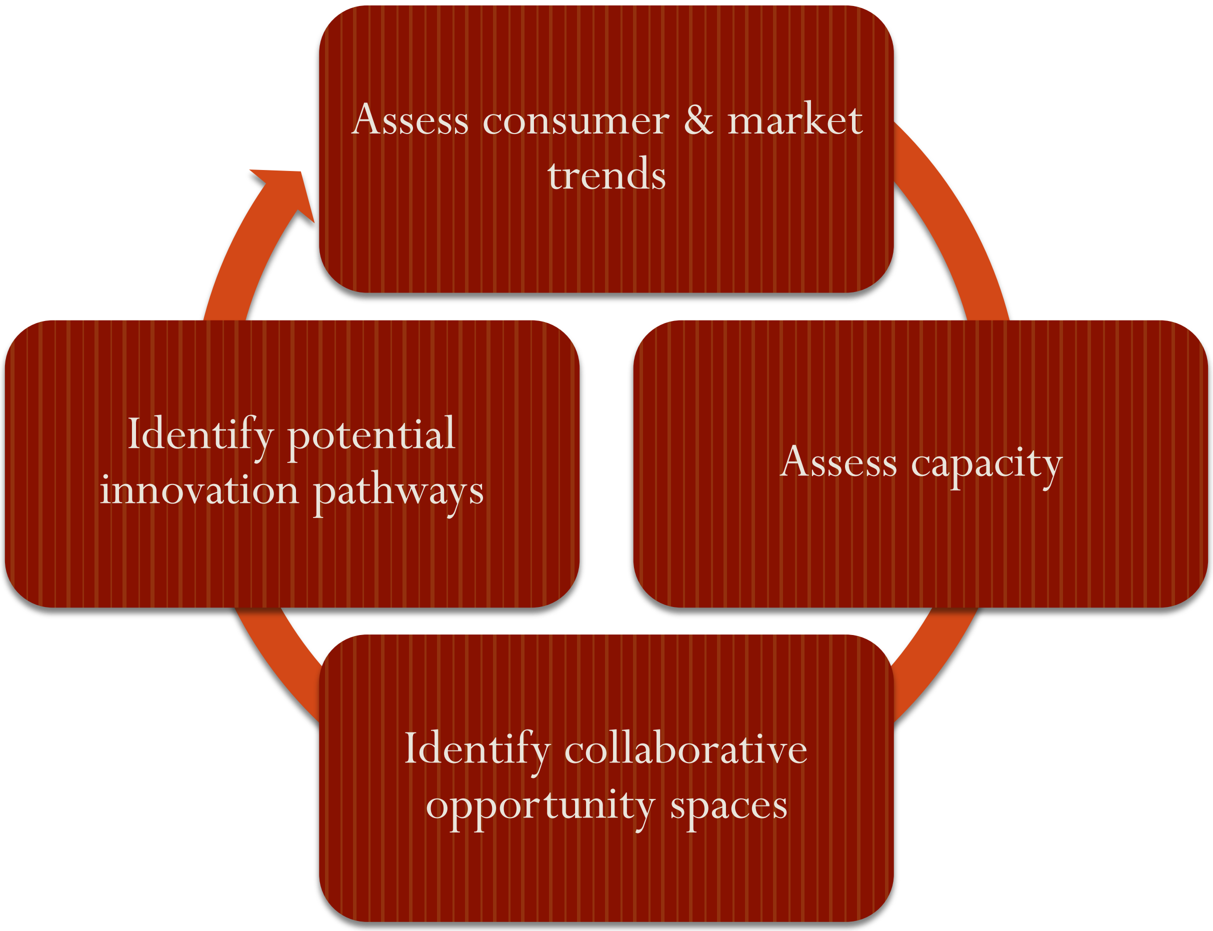
Innovation



A 'solution seeking' process

- Assess market trends & system capabilities
- Identify options that deliver benefits to consumers and/or value chain customers
- Assess opportunities for collaboration & co-innovation
- Make sustained investment under conditions of risk & uncertainty

Insights to Innovation: Iterative Process



Market-Based Insights

Across the food industry

- Country profile
- Consumer insights
- Retail & food service channel insights
- Technology scan
- Government policy insights
- FORESIGHT THEMES

Sector specific

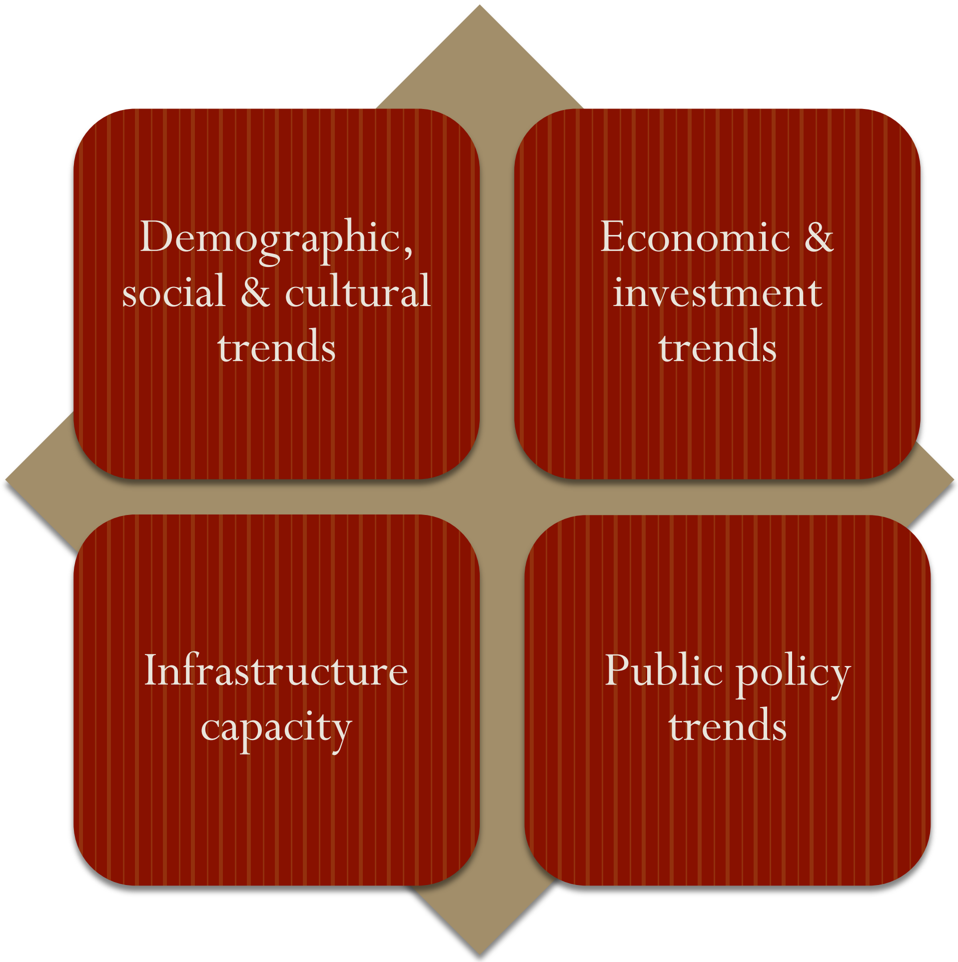
- Consumer trends re sector
- Value chain analysis
- Competitor analysis
- New products & technologies
- Government policies & regulations
- In-market assets
- OPPORTUNITY SPACES

Industry partner specific

- Assessment of opportunity spaces
- Exploration of innovation pathways
- Assessment of potential partners
- Risk / return assessment
- INNOVATION & INVESTMENT STRATEGIES

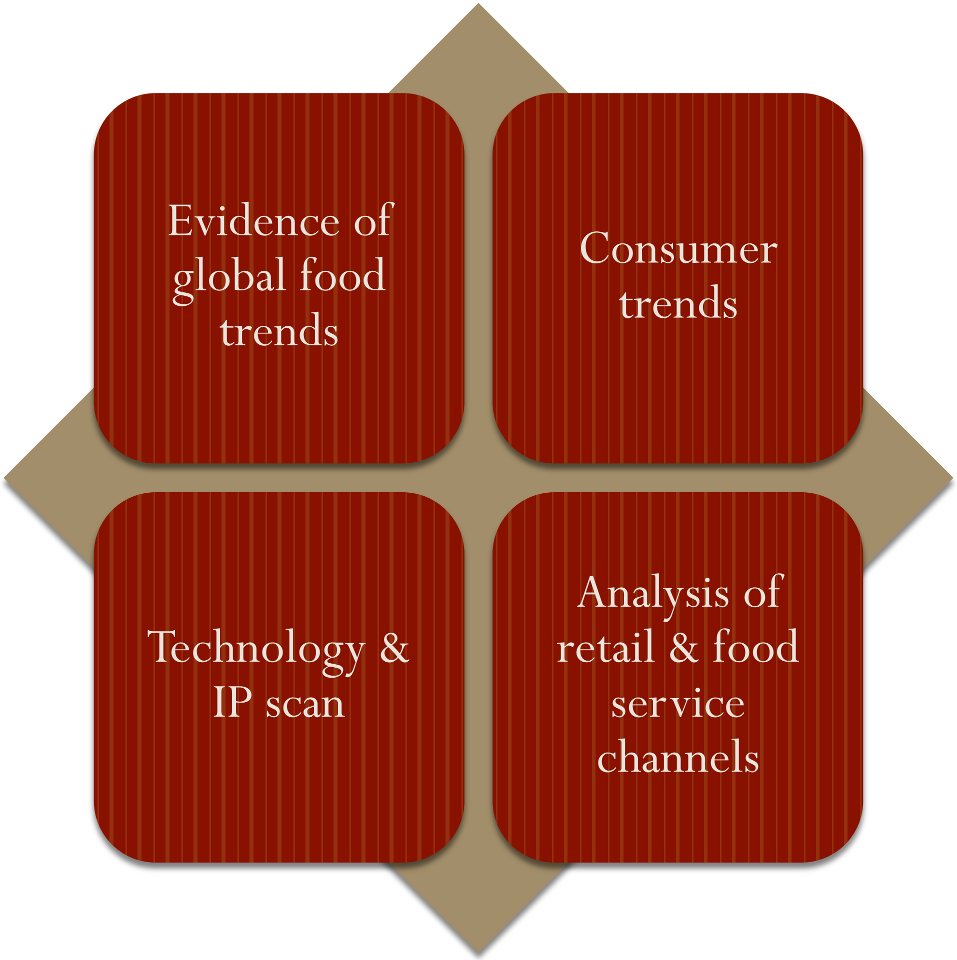
Across the Food Industry

Country profile

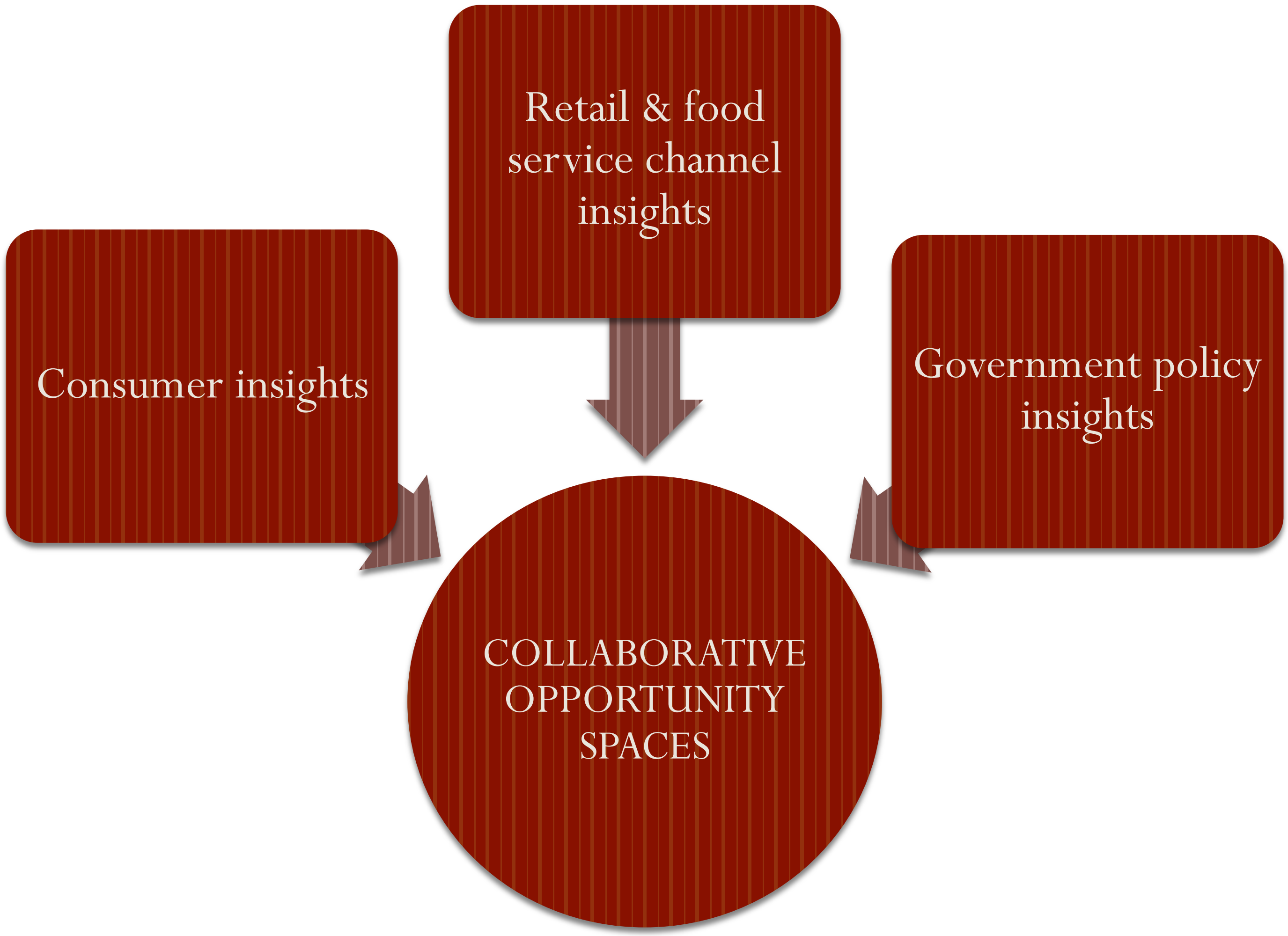


Across the Food Industry

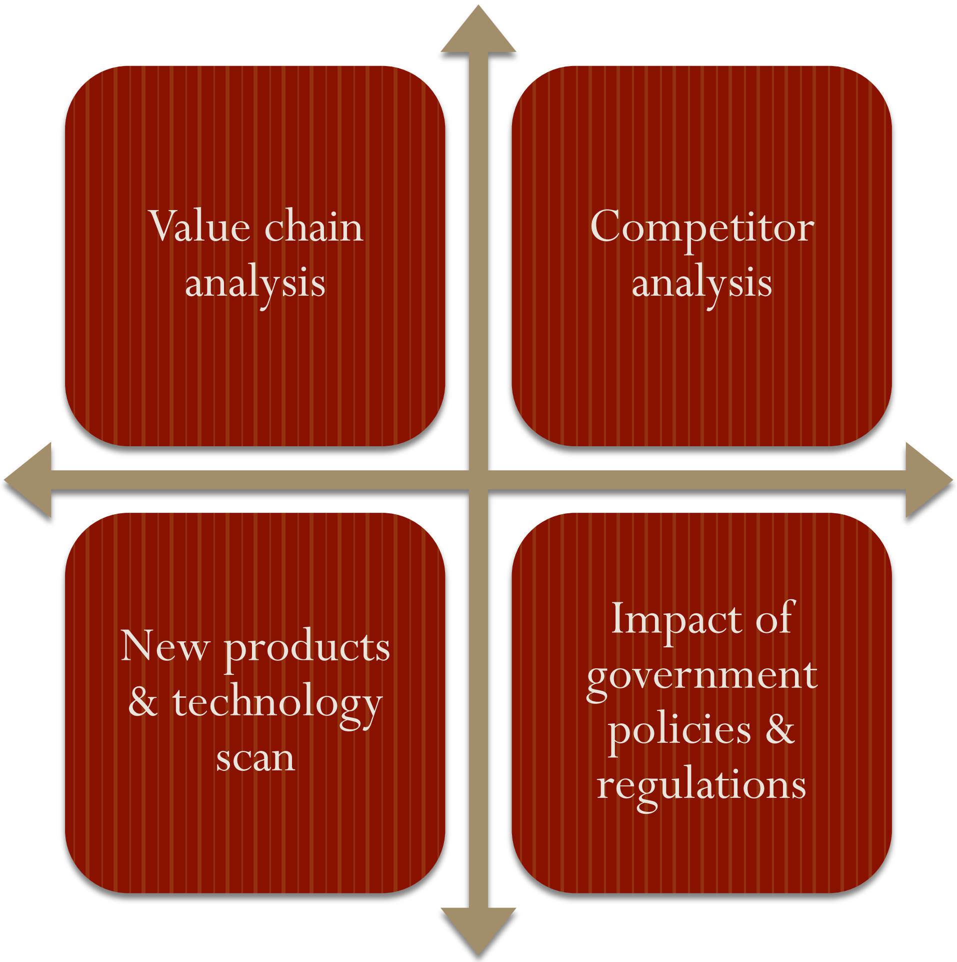
Market trends



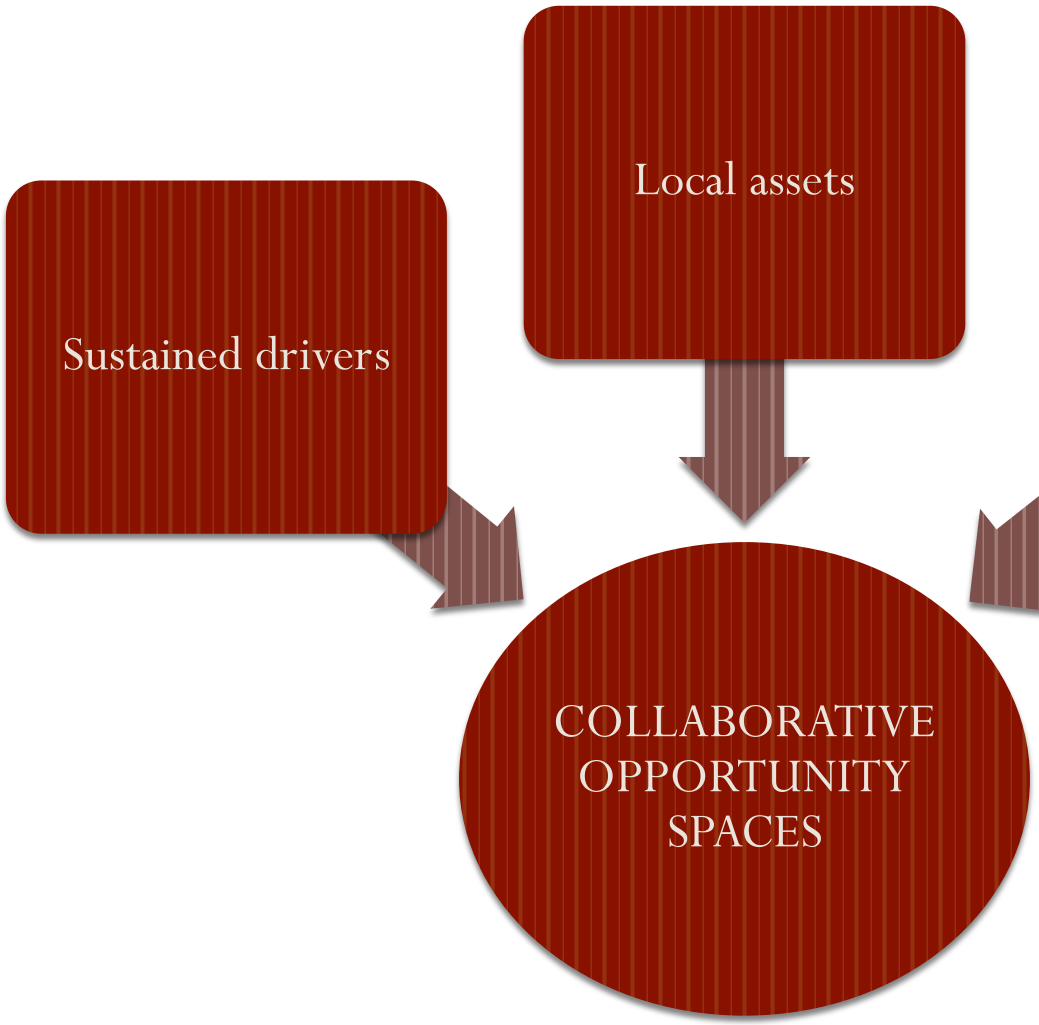
Across the Food Industry
Market-based opportunities



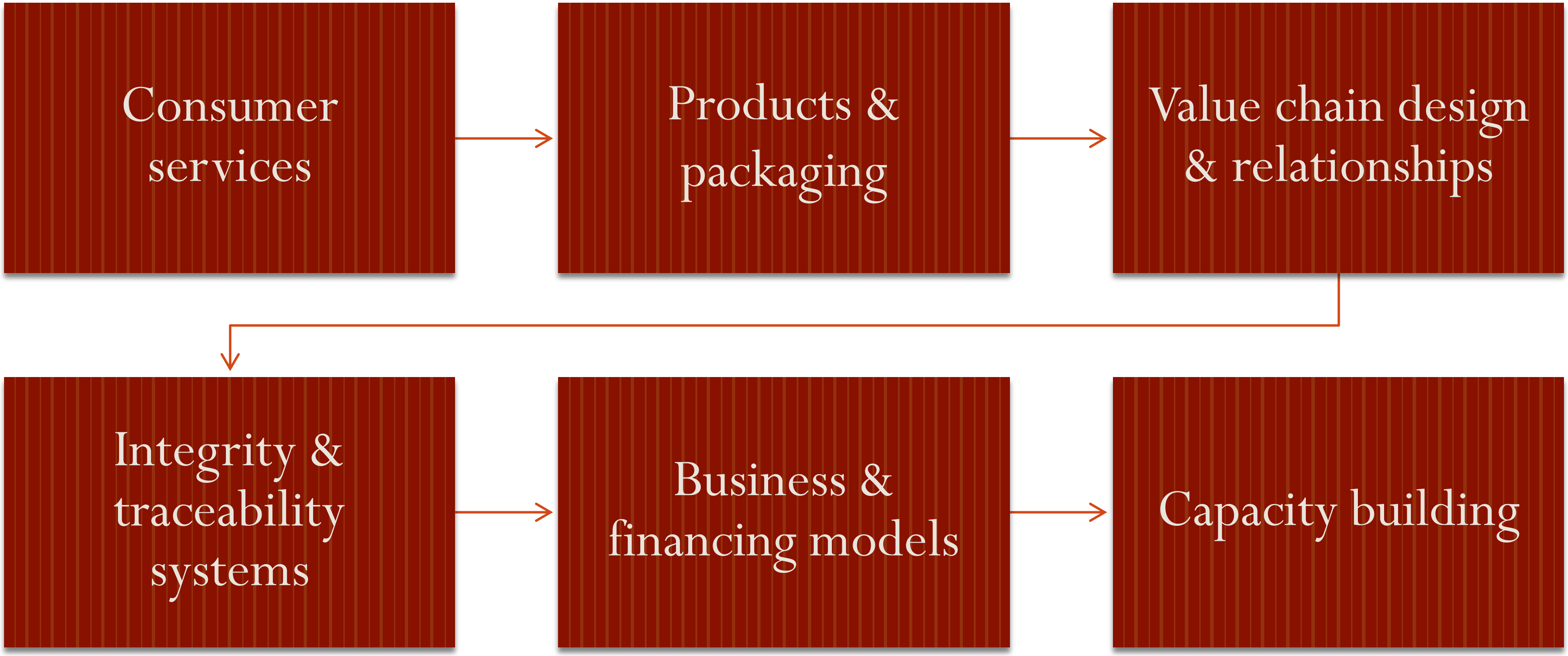
Within a Sector



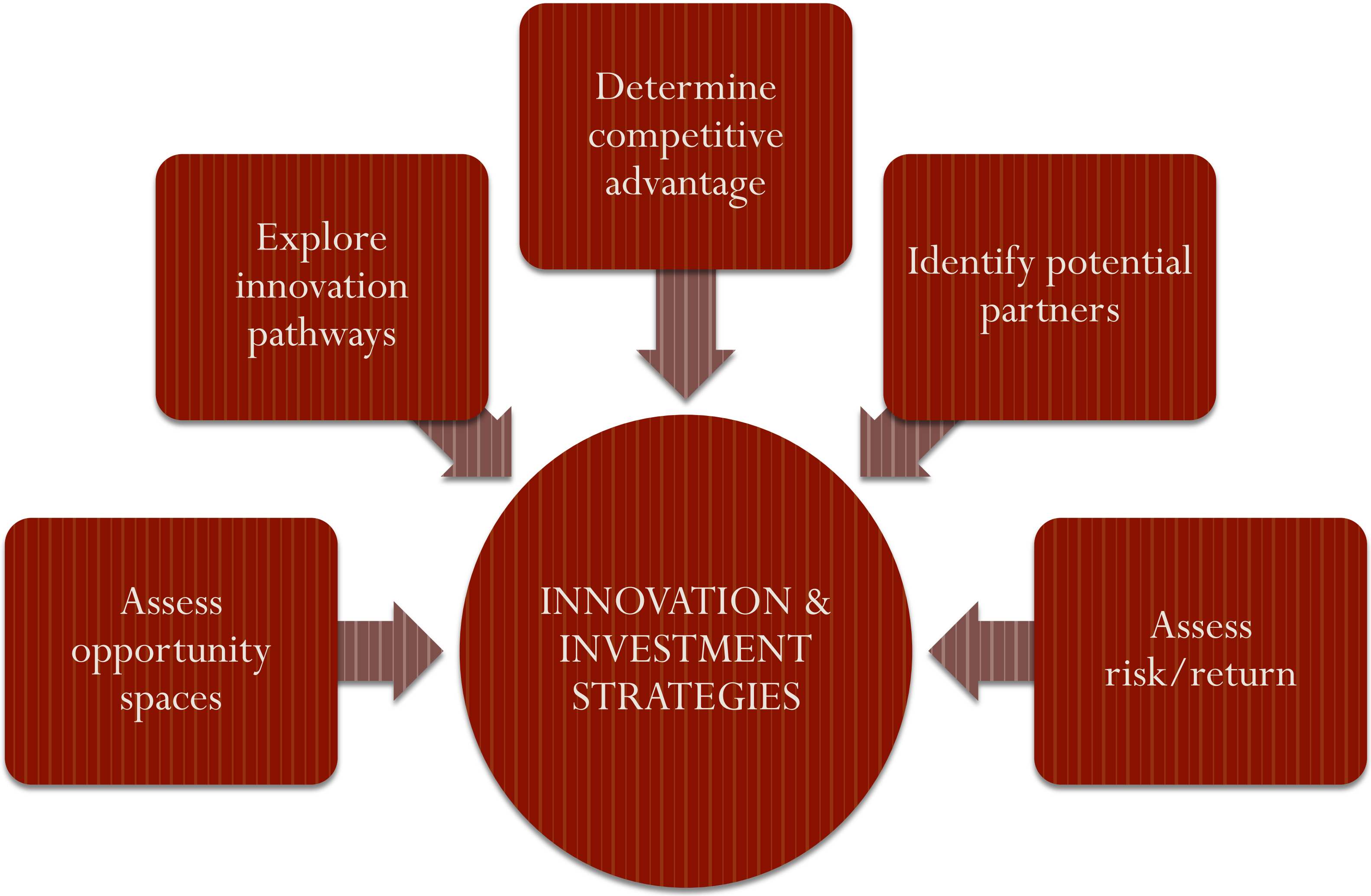
Within a Sector



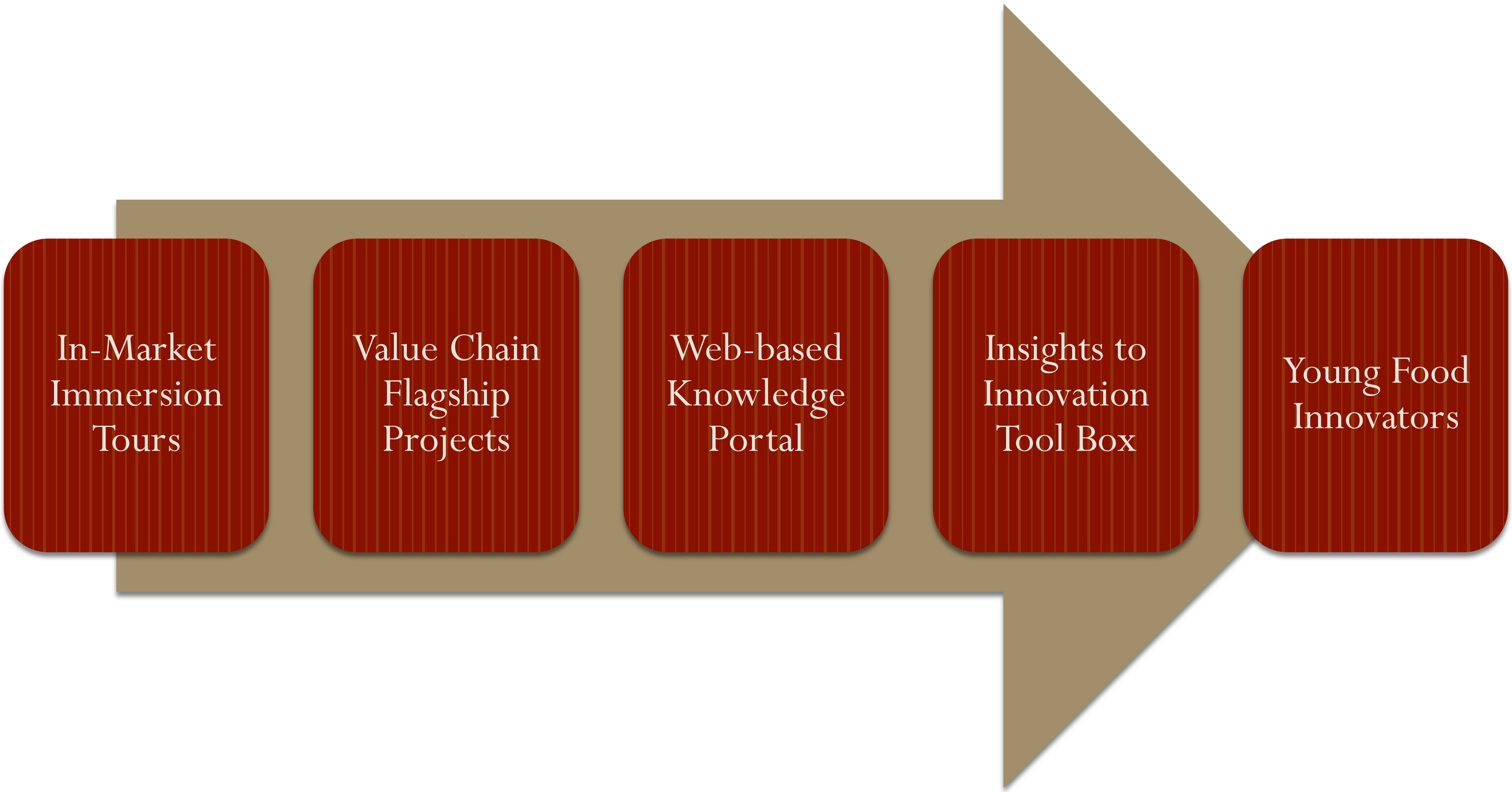
Potential Innovation Pathways



With Industry Partners



Innovation System Infrastructure



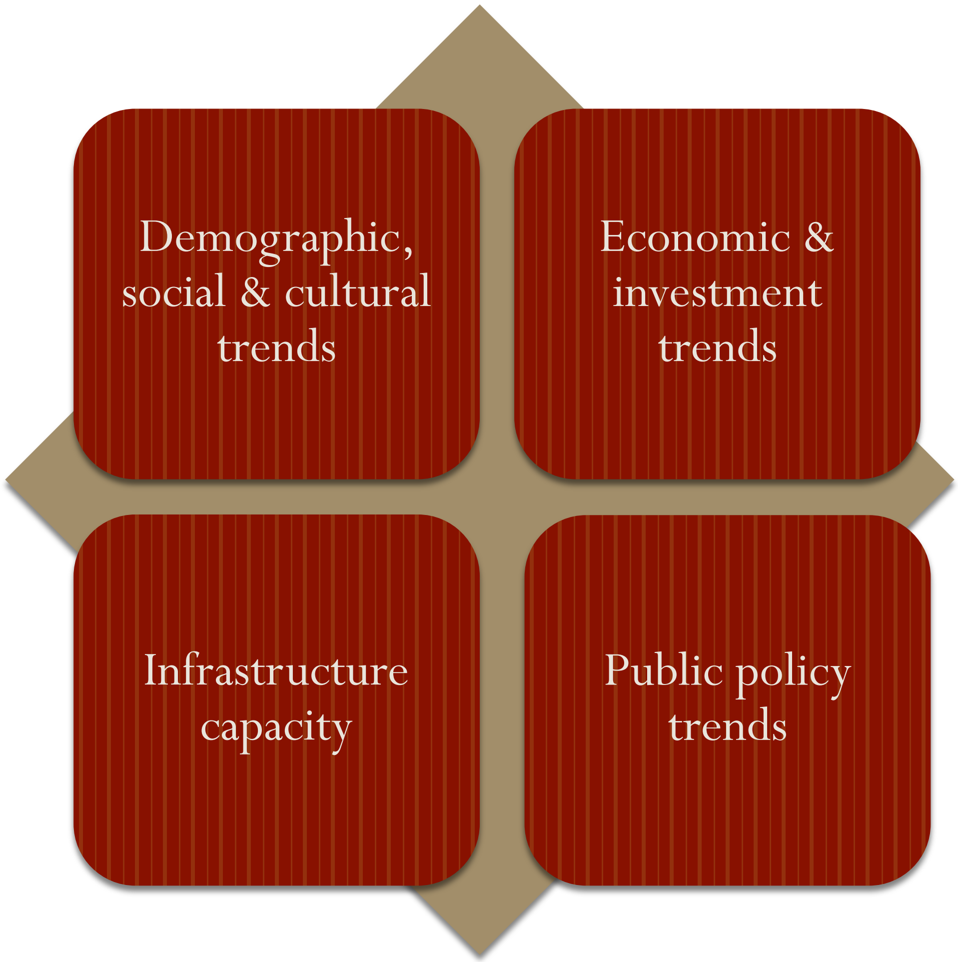
Insights to Innovation: Indonesia

Exploring opportunities for growth & innovation for the Australian food industry

April 2015

Across the Food Industry

Country profile



Introduction to Indonesia

- Geographic footprint
- Cultural context
- Demographic trends
- Economic trends
- Government policy trends
- Cultural divide

Geographic Footprint

- Archipelago of >13,000 islands … 6000 inhabited
- 57% reside on the island of Java where Jakarta is located
- 2728 kilometers from Darwin, Australia



Cultural Context

- 360 ethnic groups and 719 languages: National language is Bahasa Indonesian
- 87% of population identify themselves as Muslim
- ‘Collectivism’ – mutual trust and obligation

Source: Economist, June, 2014



Demographic Trends

- Large and growing population - 4th most populous nation with over 250 million people
- Youth dividend - 60% of population under the age of 30
- Rapid urbanisation
  - Particularly in young, working age cohorts
  - Projected to be 63% of population by 2030

Economic Trends

- Sustained economic growth – Average 6% GDP growth per annum
- Challenges
  - Ranks 114 out of 189 countries for ease of doing business
  - Shortage of skilled labour
- Economic optimism – Indonesians positive about their economic future

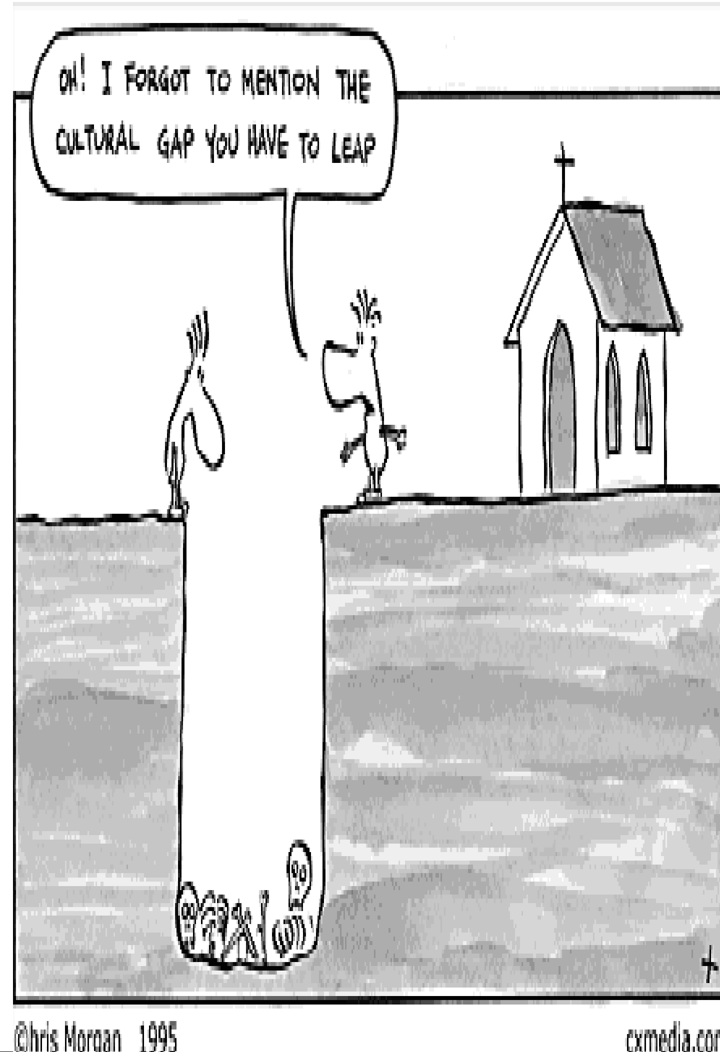
World's 17th largest economy in 2014 (US $856b)

Government Policy Trends

- Jowoki's election hailed as win for democracy
  - Campaigned to fight corruption and build infrastructure
  - However, his opponent, Prabowo, controls the parliament
- Progress to date
  - Reduced fuel subsidies
  - Opened 'one stop shop" for investors in January, 2015
  - Makes foreign investments high priority

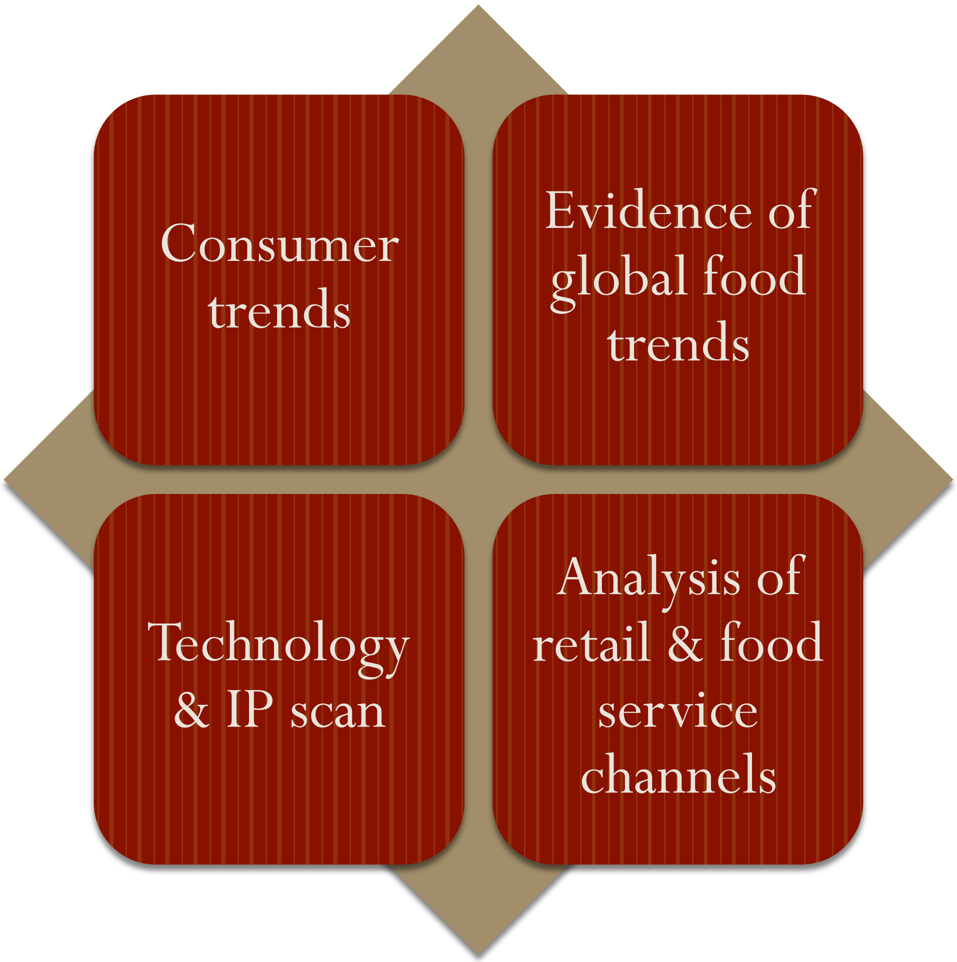
Australia-Indonesia Relationship: 'Cultural Divide'

- A 'Cultural Divide'
  - Need to broaden the scale of response
- Different trade & investment objectives
  - Australia: 'Aid for Trade'
  - Indonesia: Investment highest priority
- Indonesian public attitudes
  - Feel warmest towards Japan
  - Generally positive towards Australia, but have reservations



Across the Food Industry

Market trends



‘Consuming Class’

55 million urban	• Urban ‘consuming class’ – projected 86m by 2020 • Rising disposable incomes, but time poor, tech savvy & young
Targeted urban centres	• Jakarta & three ‘tier 1’ cities with populations over 2 million • 7 ‘hidden gems’
Plus 15 million rural	• Rural ‘consuming class’ in peri-urban areas

Evidence of global food trends?

- ‘Naturally functional’ – trend with the broadest influence overlapping & influencing all other trends
- Clear label – organic and GM-free products showing the strongest growth
- ‘Snackification’/convenience– no limits to growth
- Provenance – creating a ‘real’ link to consumers
- E-commerce – direct to consumer opportunities
- Small players, big ideas – small companies have become the food industry thought leaders

Julian Mellentin, *10 Key Trends in Food, Nutrition & Health 2016,* New Nutrition Business, Nov/Dec 2015

Innova's Top Ten Trend Predictions for 2016, Lynda Searby, William Reed Business Media, 27 November 2015

Tourism

9.5 million tourists

- Strong tourism growth
- Target 20 million by 2019

Expanding beyond Bali

- Regional development strategy

Increasing Diet Diversity

45.4% of household expenditure goes to food

- 16% higher than world average
- Expected lower for ‘consuming class’

Increased focus on protein

- Need to increase diet diversity, protein quality & micro-nutrient availability
- (Global Food Security Index)

Food Retailing

Traditional

- 80% of consumers still purchase meat through traditional retail channels
- Better price, perceived quality (‘warm’) & trusted

Modern

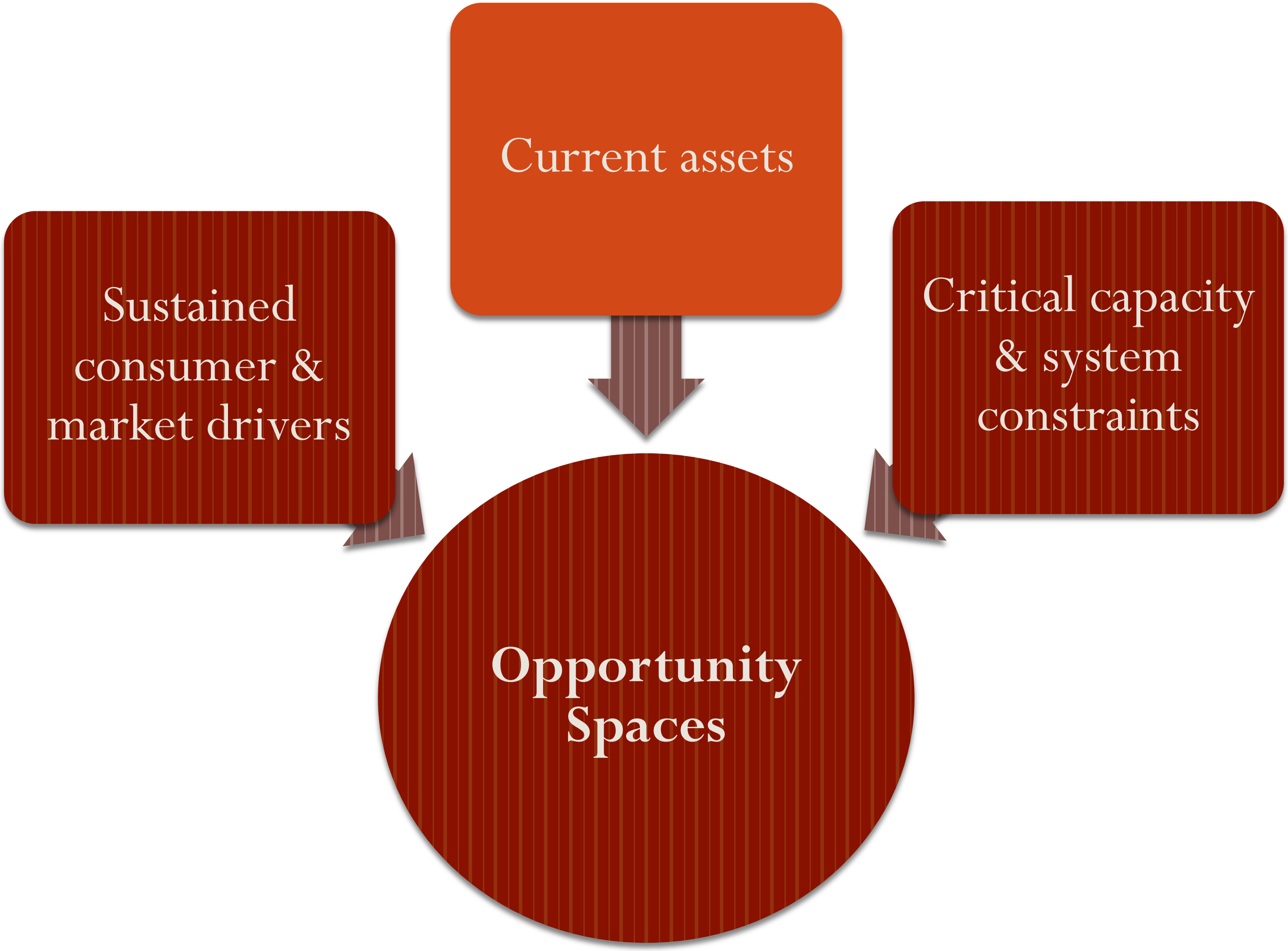
- Modern supermarkets are concentrated in urban areas.
- Convenience stores – 20,000 outlets and 30.3% growth over 5 years (2007-2012)

Food Service

Growth in food outlets

- Denpasar has highest number, followed by tier 1 cities (Jakarta, Surabaya, Medan & Bogar)
- Restaurants grew by 5.2% in 2013
- Hotels grew by 8.7% in 2013

Collaborative Opportunity Spaces



Potential Opportunity Spaces

Drivers

- GDP growth at 6% per annum
- Rising ‘consuming class (70m) - young, educated, tech savvy
- Time poor urban consumers – long commute times
- Want to increase protein in their diet – focus on babies & children
- Growing modern retailing sector
- Inability of local industry to meet growing demand
- Robust tourism industry expanding to new regions

Constraints

- ‘Cultural divide’ and mistrust based on perception of broken commitments
- Conflicting priorities between trade & investment objectives
- Limited experience in co-investment
- Lack of modern infrastructure: ports, roads, electricity, cold chain
- Fragmented, inefficient value chains
- Scarcity of industry support services
- Lack of skilled labour force along the value chain
- Food safety issues along the value chain

Assets

- Neighbors – close proximity
- Long-term trading relationships
- Australian industry expertise in R&D, technology and capacity building skills
- ACIAR (foreign aid) projects in Indonesia
- R&D partnerships– examples:
  - Global Food Studies with:
    - Bogor Agricultural University
    - The Indonesian Centre for Agriculture Socio-Economic, and Policy Studies (ICASEPS)
    - The Indonesian Centre for Animal Research and Development (ICARD)
  - Potential of Australian-Indonesian Centre hosted by Monash University

Market-driven opportunities

- Naturally healthy, snackification/ convenience, e-commerce
- Growing, savvy urban, time-poor ‘consuming class’
- Changing dietary patterns - more protein
- Expanding regional tourism food service opportunities
- Policy commitment to food security/ sovereignty solutions
- Fragmented local sectors - unable to meet rising demand

A Way Forward?

Food security

- Political imperative: available, affordable food for a growing population

Food sovereignty

- Agri-food industry development via partnerships: co-investment with village-based cooperatives

Joint commitment

- ‘Security in supply, security in pricing & capacity building in the industry’

Potential Collaborative Opportunities

G-G food security/sovereignty initiative

Investment in value-adding:
new products or processing capacity

Investment in R&D, technology and support services

Regional in-market platforms

Regional value chain development

Innovation System Architecture