ASIA FOOD and BEVERAGE SUMMIT 2015

18-19 May, 2015 | Pullman Bangkok King Power Hotel, Thailand

FOOD and BEVERAGE INDUSTRY TOWARDS AEC 2015 OPPORTUNITY & CHALLENGES

presented by :

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GAPMMI

100% INDONESIA

remarkable indonesia

Outline

GAPMMI

- INDONESIA
- Opportunities & Challenges in the Free Trade AEC 2015
- Evolution related to F&B Industry
- Progress of Harmonization in ASEAN
- Build Collaboration & Cooperation

INDONESIA

- Big coastline – 2nd largest in the world (104.000 Km and 13.000 islands)
  ~ 480 ethnics, 87% Moslem : Halal & Thoyyiban
- Main staple food : Rice
- GDP growth in F&B : 9.54% in 2014 → 29.77% contribution to GDP non-oil industry
  ~ 64% GDP is contributed by domestic consumption, which help Indonesia to buffer external exposure
- Avg/capita expenditure for food : 47.19% → 12.46% contributed by processed food
  ~ Strong buying power : 30 millions people (est)
  ~ GINI Index : 0.41
- 56.5% middle class income is increasing by 7 million people per-year
- Indonesia become the a fav investment destination (1st Favorite Destination for Japanese Investors, from 2013 to the next 3 years)
- Indonesia is the 3rd TNC's Top Prospective Host Economies for 2014-2015

International Ranking of Indonesia

World Economic Forum	World Bank	APO	The Economist	WIPO
The Global Competitiveness Index 2014 – 2015	**Logistic Performance Index 2014**	**Productivity Database 2012**	**Global Food Security Index 2014**	**The Global Innovation Index 2014**
34 of 144 Countries	**53 Of 160 Countries**	**15 of 23 Asia Countries**	**72 of 109 Countries**	**87 of 143 Countries**
#4 in ASEAN	**#5 in ASEAN**		**#6 in ASEAN**	**#5 in ASEAN**

Opportunities & Challenges in the Free Trade Region AEC 2015

POTENSIAL MARKET INTEGRATION?

The latest IMF Projections
(January 2015)

- Global growth is forecast to rise moderately in 2015–16, revised down by 0.3 % relative to the Oct 2014 World Economic Outlook.
  New factors supporting growth:
  - Lower oil prices
  - Depreciation of euro and yen

- Offset by:
  - Persistent negative forces
  - The lingering legacies of the crisis
  - Weak investment as many countries adjust to lower potential growth.

- Good news for oil importers, bad news for oil exporters.
- Good news for commodity importers, bad news for exporters.
- Continuing struggles for the countries which show scars of the crisis, and not so for others.
- Good news for countries more linked to the euro and the yen, bad news for those more linked to the dollars

Indonesia's FTA

Currently Indonesia has involved in several FTAs :

- ASEAN :(AFTA), ACFTA, ASEAN Korea FTA, ASEAN Japan CEP , ASEAN Australia New Zealand (AANZ-FTA), ASEAN India FTA, Indonesia Japan EPA, Indonesia Pakistan PTA

Undertaking the negotiation process of:

- Regional FTS: ASEAN Hongkong, RCEP
- Bilateral FTA: Indonesia Korea CEPA, Indonesia Australia CEPA, Indonesia EU CEPA, Indonesia India CECA, Indonesia Iran PTA

End of 2015, market integration:
Implementation of AEC (ASEAN Economic Community)
in Parallel with RCEP to be signed (ASEAN + 6 : China, India, Japan, South Korea, Australia, New Zealand)

Blue Print AEC 2015

31 DECEMBER 2015

ASEAN ECONOMIC COMMUNITY

Strategic Schedule

SINGLE MARKET AND PRODUCTION BASE	COMPETITIVE ECONOMIC REGION	EQUATABLE ECONOMIC DEVELOPMENT	Integration in to Global Community
Free flow of goods	Competition Policy	SME Development	Coherent Approach towards External Economic Relations
Free flow of services	Consumer Protection	Initiative for ASEAN Integration (IAI)	Enhanced participation in global supply networks
Free flow of investment	Intellectual Property Rights		
Free flow of capital	Infrastructure Development		
Free flow of skilled labor	Taxation		
Priority Integration Sectors	E-Commerce		
Foods, Agriculture and Forestry			

The ASEAN Economy

- ASEAN's population place third after China and India, est 617 million in 2012, growth 1.45% p.a
- RCEP population : 3.399 million
- ASEAN GDP growth : the 2nd fastest in Asia after China
  The share of ASEAN to the World GDP (in PPP dollars) : 4.3%
  The combined shares of ASEAN+3 (10 member states+China +Japan+Korea) : 26.8%

THE ASEAN Opportunity

ASEAN by 2020

$3 TRILLION USD ECONOMY

6th LARGEST ECONOMY WORLDWIDE

580 MILLION PEOPLE

+50% LIVING IN CITIES

2.3 TRILLION USD ANNUAL CONSUMER SPENDING

x2 CONSUMER SPENDING TO DOUBLE BY END DECADE

$770 BILLION IN NEW SPEND

A-once-in-a-lifetime opportunity to win loyalty in new growth areas

60 million
NEW CONSUMERS

ABLE TO PURCHASE ITEMS BEYOND THEIR SUBSISTENCE FOR FIRST TIME

37 million
NEWLY AFFLUENT

MOVING TO HIGHER-INCOME TIERS AND EXPANDING ACCESS TO PREMIUM PRODUCT CATEGORIES

GREATER NUMBERS OF WEALTHIER CONSUMERS EMERGING IN
NEW TARGET CITIES
OUTSIDE ASEAN TIER 1 CITIES

Evolution related to F&B Industry
Big Challenges

An evolution in the Food Industry and Trade

Consumption

- World Population over 7 Billions
- Lifestyle changes
- More concern about food safety, health, Halal, Double Burden of malnutrition, NCD, etc
- Misleading information, Chemical phobia

Supply

- Decreasing of agricultural land & natural resources
- Era “cheap price” is over, related to global climate change, reduction of productive land, increasing demand of food & energy
- Competitiveness & struggling to reduce High cost economy

Trade

- Liberalization Tariff is on going , unbalanced & sometimes unfair
- Food Regulation more stringent & NTMs increased, related to Food Safety, Standard
- Eco-friendly products. (APEC 2012) (max 5% Tariff)
- Food Fight: Impact of Politic
- Advances in technology ->double-edged sword: Support innovation and competitiveness or Encourage NTMs
- Development of IT: Interconnected and easier to access information

Changes of Lifestyle

the diets style is shifting slowly from home-made cooked to packaged food.

The higher education level, social class increased.	"Time poor society" demands increasingly more time-saving convenience foods . A young & small family, all working people, has no enough time to prepare meals at home	No food stocks at home, down sizing, single consumed, Convenience, procurable, quick service → *Convenience store*	Never shop or eat alone again "let's meet and eat" Eating, Sports, Entertainment, Travelling, Sharing & Collecting	Comfortable , Safe, Affordable & Valuable

Trade of food products, in the era of globalization, can't be freely traded (Case ASEAN)

1. TBT such as food safety, more stringent regulation and cultural barriers to be an obstacle in the trade of food products.
2. One of the obstacles often a problem in the food trade, both domestically and in the global market, is Label and Nutrition Claims.
3. In the ASEAN region, each Country has different rules, which are currently in the process towards harmonization in the context of AEC in 2015, such as:
   - Variance in mandatory & voluntary requirement
   - Differ in minimum & maximum for vitamin and minerals
   - Variance in tolerance level for nutrients
   - The daily reference values for nutrients are vary

The Cost to Food Industry

The food industry faces significant non-tariff barriers and technical constraints to trade in ASEAN

These can:

- Create complexity and delays
- Impose costs and business risk
- Compromise food security & safety
- Limit opportunities for SMEs and the development of trade within ASEAN

Progress of Harmonization in ASEAN

4 major Technical Problems (**Technical Barriers to Trade**) which is considered to be the most pressing issues for the growth of the Food Industry towards AEC 2015:

1. **Authorization of Food Additives**
2. **Determination of contaminant**
3. **Import /Export certification & Product registration**
4. **Standard of label & nutrition**

And **harmonization in the development of Big Enterprises /MNC and SMEs**

FOOD INDUSTRY SUMMIT
A SHARED VISION IN ASEAN

6 September, 2012

Shangri-La, Jakarta, Indonesia

VISION STATEMENT

This Summit supports the establishment of an ASEAN Community and acknowledges the progress already made by member governments in meeting the goals of the ASEAN Roadmap by 2015.

Going forward, the assembled industry associations in ASEAN agree to work together to:

1. Develop a roadmap with relevant partners to support the goals of the ASEAN Economic Community, namely:
   - A single market and production base
   - A highly competitive economic region
   - A region of equitable economic development
   - A region fully integrated into the global economy
2. To achieve this, we will make available the collective knowledge and expertise of the food industry in ASEAN with the aim of assisting with the acceleration of economic integration, by addressing regulatory convergence and the removal of remaining technical barriers to trade.

Signed, on behalf of the assembled industry associations by:

Pradeep Pant	Adhi S. Lukman
President, FIA	Chairman, GAPMMI

FIA FOOD INDUSTRY ASIA

GAPMMI

AFBA was established in January 2013
Collaboration with ACCSQ - PFPWG

MEMBERSHIP | **GOVERNANCE** | **SUPPORT**

AFBA Members:
Industry Associations or federations involved in the manufacture, distribution and sale of food and beverages in ASEAN

AFBA SME Committee

AFBA Executive Board:

	SEATS
Brunei	1
Cambodia	1
Indonesia	1
Lao PDR	1
Malaysia	1
Myanmar	1
Philippines	1
Singapore	1
Thailand	1
Vietnam	1
SME Representatives	2
FIA	4

FIA Council

FIA Committees

AFBA SECRETARIAT | **FIA SECRETARIAT**

ASEAN SINGLE MARKET 2015

- Strengthened & Transparent Regulations
- TBT Elimination
- Mutual Recognition Agreements
- Improved Technical Infrastructure

ASEAN FOOD AND BEVERAGE ALLIANCE (AFBA)

Effective food industry representation in ASEAN discussions	**Stakeholder Engagement**	Effective ASEAN Network	Partnership with Member States	ASEAN Expertise Provider	Seat at the Table in ASEAN discussions
Genuine Commitment to Partnership	**Gap Analysis**	Stakeholder Mapping	Capacity Building Needs Mapping		
Advancing ASEAN Harmonisation of Regulations	**Issues Framework**	Contaminant Limits & Analytical Methods	Nutrition Labelling	Authorisation of Food Ingredients, Additives & Flavours	Import/Export Certification & Product Registration
Reflecting the diversity of ASEAN community	**Organisation**	Purposes	Structure	Membership	Management

ACCSQ PFPWG

TASK FORCE on HARMONISATION of PREPARED FOODSTUFF STANDARD (TF HPFS)

Purpose :
to make recommendations to the PFPWG for the identification, and harmonization of priority standards for the prepared foodstuff sector as part of the trade facilitation process under the standards and conformance activities in ASEAN.

TASK FORCE ON DEVELOPMENT OF MRA FOR PREPARED FOODSTUFF

Purpose :
to assist the PFPWG to develop MRAs for the prepared foodstuff sector as well as to establish ASEAN Common Harmonized Regulatory Scheme for Prepared foodstuff.

* ACCSQ PFPWG : ASEAN Consultative Committee on Standards & Quality – Prepared Foodstuff Product Working Group

Principles of harmonization

The criteria for identification of products categories for harmonization shall be as far as possible based on:

- the volume and/or value of intra-ASEAN trade affected through divergence in national standards for a product;
- the existence and extent of technical barriers to trade for the product;
- product categories proposed by Member States based on safety, quality and public health issues; and
- the interest of the majority of Member States.

The harmonization of prepared foodstuff standards in ASEAN shall be based on the following principles:

- Codex standards shall be the reference international standards for harmonization;
- applicable international or regional standards may be used for harmonization in the absence of Codex standards;
- harmonization efforts carried out shall not compromise food safety and public health; and
- regulatory mechanisms and infrastructure shall be in place to monitor compliance of harmonization.

PROGRESS of STANDARD HARMONIZATION

In progress of pioneering harmonization :

Food Additives requirement	▪ Pioneering harmonization Food Additives Requirements for Products Priority 1 (8 groups) and Priority 2 (28 groups)
Heavy Metal Contamination Requirements	▪ HS Code 16-21 ▪ Recommendations harmonization max limit. Tin (Sn) with Codex on 11 products at 250 mg / kg
Food packaging material requirement	Will conduct Training for capacity building for food contact materials
Other Codex Standards	Determine the status of adoption of codex standards at the national level, and identify possible harmonization to other standards.

Progress MRA (MRA : Mutual Recognition Arrangement)

- The scope of MRA : *inspection and certification system on food hygiene* for processed food product (HS code 16-22)
- Mechanism, scope, assessment procedures & evaluation of the implementation of the MRA will be determined by the Joint Sectoral Committee (**JSC**)
- JSC will be formed after the MRA set
- MRA is planned to be signed by all ASEAN Member States by the end of 2015

1st Priority

* Jem, Jeli dan Marmalad **kecuali** *nut puree, nut paste* dan *sweetening matter*
* Kembang gula keras/Permen Keras
* Kembang Gula Lunak/Permen Lunak
* Nougat dan Marzipan
* Dekorasi (misalnya untuk bakery), Topping (non buah) dan saus manis
* Kue beras

2nd Priority

* Buah kering **kecuali** *nuts* dan *sweetening matter*
* Buah dalam cuka, minyak atau larutan garam
* Produk oles berbasis buah **kecuali** *nuts*
* Buah bergula
* Produk buah untuk isi pastri
* Sayur dan rumput laut dalam cuku, minyak, larutan garam atau kecap kedelai
* Kakao bubuk dan Kakao Massa/Keik Kakao
* Permen karet
* Serealia dan Produk Serealia
* Produk Bakeri
* Gula Merah
* Saus dan produk sejenis
* Kopi, kopi substitusi, teh, seduhan herbal, dan minuman biji-bijian dan sereal panas

1st Priority

- Jam, Jelly, Marmalade, except nut puree, paste & sweetening matter
- Hard candy
- Soft candy
- Nougat & marzipan
- Decorative (example for bakery), topping (non-fruit) & sweet sauce\
- Rice cake

2nd Priority

- Dried fruits except nuts & sweetening matter
- Fruits in vinegar, oil or salt
- Spread products fruit based, except nuts
- Sugared fruits
- Fruit product for pastry filling
- Vegetable and seaweed in vinegar, oil, salt or soy souce
- Cocoa powder and cocoa mass / cocoa cake
- Gum
- Cereal
- Bakery products
- Brown sugar
- Sauce and similar products
- Coffee, coffee substitute, tea, drinks from herbal, grains and hot cereal

Achievements in ASEAN Harmonization

1. **ACFR** (ASEAN Common Food Control Requirements) - **ACPFCS** (ASEAN Common Principles of Food Control System) : provides a common set of guiding principles for the establishment of food control systems in ASEAN member States taking into account the WTO's SPS and TBT Agreements supporting international trade

2. **AFRLs** (ASEAN Food Reference Laboratory) and establishment of AFTLC (ASEAN Food Testing Laboratories Committee) to monitor and coordinate the food testing activities. 6 ARLs has been established : GMO, Food Microbiology, Mycotoxin, Veterinary Drugs, Pesticide Residues, Heavy Metals and Trace Elements. Proposal : Food Additives and Food Contact Materials; AFRL for fisheries is being established under SOM-AMAF

3. New Guidelines and Work has been developed in the following areas:
   a. ASEAN Audit and Certification of Food Hygiene and HACCP
   b. ASEAN Principles and Guidelines for Harmonization of Food Import-Export Inspection System
   c. ASEAN Principles and Requirements for Food Hygiene ; ASEAN Common Principles and Requirements for the Labeling of Pre-packaged Food; and ASEAN Common Requirements for Food Control Systems

4. Work is underway : Food Safety Risk Assessment ; Trade Facilitating Schemes (included ASEAN Single Windows)

Build a Collaboration & Cooperation

Key Success Factor : Build Cooperation

- Understanding the Gap among ASEAN Countries, especially standard of Food Safety , Halal & Product registration
- Strengthening the capability of production and explore potential resources , to be Production base in the Global Trade
- Minimize the Technical Barriers to Trade → MRA
- Support SMEs → Capacity building, and market access