The Indonesian baked goods market

AN OPPORTUNITY FOR AUSTRALIAN WHEAT

Indonesia’s per capita consumption of bread is growing strongly, resulting in increased demand for imported wheat. *The growing consumption of bread and baked goods in Indonesia: an opportunity for Australian wheat* is the third in a series of three reports on the current status and future prospects of the Indonesian wheat market. Visit aegic.org.au for more information.

Key findings

**BREAD CONSUMPTION IS GROWING**
Per capita wheat consumption for bread in Indonesia is around 4.7kg per year and is forecast to grow to 6.8kg by 2030. An additional 0.8mmt of imported wheat for bread will be required by 2030. By contrast, per capita wheat consumption for instant noodles has plateaued at around 8kg per year and remains a dominant source of wheat demand.

**BAKED GOODS ARE PREMIUM FOODS**
Compared to instant noodles, bread and other baked goods are mostly premium snacks eaten for pleasure rather than satiety. Wheat for some of these end uses has greater scope for premiumisation.

**MOST BAKED GOODS ARE PRODUCED BY SMALLER BAKERIES**
More than two-thirds of baked goods in Indonesia are produced by small, traditional, family-owned enterprises and similar small-to-medium-sized enterprises (SMEs). A further 11% is produced by small boutique bakeries. Large-scale industrial bakeries produce the remaining 19% of Indonesia’s baked goods.

**‘BREAD’ HAS A BROAD DEFINITION**
Most Australians perceive bread as pan bread or loaf bread. In Indonesia a wider array of products, often containing sugar and fat, are labelled and viewed as bread.

**HIGH PROTEIN WHEAT IS PREFERRED**
Bread-making, especially by large-scale industrial bakeries, uses higher protein wheat with comparatively strong dough — neither of which are a comparative advantage for Australian wheat. Some popular sweet baked goods and breads manufactured by SMEs can use lower protein wheat, which Australia already produces in large quantities.

**NORTH AMERICAN WHEAT DOMINATES**
The bread market in Indonesia, especially in large-scale industrial bakeries, is dominated by North American grades, with DNS and CWRS considered the benchmarks by millers. Australia does not presently offer a grade that competes directly against DNS and CWRS.

**NORTH AMERICAN WHEAT COMMANDS PREMIUM PRICES**
DNS and CWRS classes attract a premium generally between USD$20/t and USD$40/t over Australian Hard (AH) wheat on a delivered basis.

**BAKED GOODS ARE AN OPPORTUNITY FOR AUSTRALIAN WHEAT**
Supply of functionally attractive wheat from Australia will help Indonesia to diversify its sources of wheat for the bread and baked goods segment. This will add to Australia’s reputation as a supplier of functional wheat for use in a range of wheat products. Australia can also diversify its exposure to different market segments.

**AUSTRALIAN WHEAT IS A GOOD BLENDING OPTION**
Australia’s potential to profit from serving Indonesia’s bread and baked goods sector is likely to be as a component of premium bread flour blends, due to the relatively affordable functionality of suitable Australian wheat classes.
Recommendations

How should Australia position its wheat offering to Indonesia to serve Indonesian needs while delivering value for Australian grain producers?

OVERALL, THE AUSTRALIAN INDUSTRY SHOULD TARGET MARKET SEGMENTS MOST LIKELY TO USE AUSTRALIAN WHEAT

The relative attractiveness of the Indonesian bread and baked goods market needs to be compared against opportunities in other market segments and geographic markets. Resources required for breeding and market development are finite, while markets and market segments with likely upside are numerous. The Indonesian bakery segment is multi-faceted, so care is required to target segments most likely to include Australian wheat in their flours.

GROWING THE USE OF AUSTRALIAN WHEAT IN SMALL-TO-MEDIUM-SIZED INDONESIAN BAKERIES IS AN OPPORTUNITY FOR AUSTRALIA IN THE SHORT TO MEDIUM TERM

More than two-thirds of Indonesian bread and baked goods are produced by small-to-medium-sized enterprises (SMEs). These bakeries can use flour blends which incorporate mid-protein wheat, which Australia already produces.

LARGE-SCALE INDUSTRIAL BAKERIES ARE A LONGER-TERM OPPORTUNITY FOR AUSTRALIAN WHEAT

This segment is dominated by North American wheat. Australia does not have a competitive advantage. In the longer term, Australia could breed high protein wheats suited to some Indonesian bread flour blends. Varieties would need to be commercially attractive to farmers over a wide area. Growing reliable quantities of high protein bread wheat will need a coordinated approach between growers, breeders, Wheat Quality Australia, logistics and marketers.

ONGOING TECHNICAL ENGAGEMENT AND EDUCATION IS NEEDED TO SUPPORT AUSTRALIAN WHEAT IN THE INDONESIAN BREAD AND BAKED GOODS MARKET

Technical support and collaborative activities between the Australian grains industry and end-users form a key part of the value proposition for Australian wheat. In scenarios where the industry wishes to claim new market share, in a segment where end-users are unfamiliar with the product-specific properties of Australian wheat, technical support becomes critical.

Read the full report at aegic.org.au

Other reports in this series:
- The Indonesian wheat market: Its strategic importance to Australia
- The Indonesian noodle market: Its importance to Australian wheat exports