



Media Release  
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## ***Indonesia —stage set for greater beef demand***

Indonesia's growing population and increasing per capita incomes are setting the stage for even greater beef demand in what is already a key Australian live cattle and beef export market, a recently released report from the world's leading food and agribusiness bank says.

While Australia remains in prime position to supply the forecast extra demand in the Indonesian market, the Rabobank report says that there are external factors that could have a negative impact on Australian live cattle and beef sales to Indonesia.

Among these threats are rising inflation and the potential of increased competition if the bans on Indian buffalo meat and Brazilian beef and live cattle are lifted.

Report author and senior Rabobank Food & Agribusiness Research and Advisory analyst, Wendy Voss says that prospects for future growth in this important market will be determined by population expansion, income growth, the cost of beef —in both absolute terms and relative to key substitutes — and cultural trends.

Between now and 2015, the Indonesian population is forecast to grow by 27 million people, the report states. "If per capita beef consumption is maintained at recent levels - an average of 1.71 kilograms for 2004-2006 - this would add around 45,000 tonnes worth of increased beef consumption," Ms Voss said. Assuming an average carcass weight of 240 kilograms, an extra 190,000 head of feeder cattle would be required to meet this increased demand, she added.

GDP growth is also expected to continue; with per capita GDP forecast to rise by 6.9 percent in 2008 to USD 1,951, Ms Voss said. "This continued rise in income for Indonesian consumers would be expected to support further increases in beef consumption," she said.

Rising per capita GDP, however, cannot guarantee an increase in meat consumption in developing countries, discretionary spending, the amount of money spent by consumers on nonessential items after basic necessities have been purchased, must also be examined, she said.

In contrast to developed countries, where food accounts for approximately 15 percent of total household spending, over 53 percent of all expenditure in Indonesian households goes toward food, Ms Voss said, adding that of this, approximately one-quarter is allotted for grains, such as rice, and cooking oil, which are staples for all households in Indonesia. "Kerosene is another major cost for Indonesians; only approximately 10 percent of Indonesians are estimated to have access to electricity or gas for cooking, with most households still using kerosene or wood to cook," she said.

The Indonesian government has implemented a number of strategies to ease rising domestic food prices, such as the diversion of palm oil from export to domestic markets in order to reduce cooking-oil prices, the report says.

"As yet it is not clear whether or not these policies will succeed. If basic commodity prices continue to rise, this could lead to reduced beef spending, despite the expected rise in GDP in 2008. If the government can reduce inflation while maintaining GDP growth, this should increase discretionary spending and thus encourage



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increased consumption of beef, through an overall increase in meat consumption and possible 'trading up' from chicken to beef by consumers," Ms Voss said.

Given the increase in Indonesia's population and income, and assuming basic food prices can be kept under control, beef demand in Indonesia should continue to grow over the next decade, according to the report.

"With Indonesian cattle herds stable and imports from India and South America banned due to foot-and-mouth disease, Australia remains in a prime position to supply the extra demand in the Indonesian market through live cattle and beef exports," Ms Voss says.

However, according to the report there are factors outside of the Australian cattle industry's control which could have a negative impact on Australian live cattle sales to Indonesia, such as rising inflation. "In addition, the threat of lifting the ban on Indian and Brazilian imports would open up the market to increased competition from lower-priced products," Ms Voss said.

"Such uncertainty in a key market highlights the importance of continuing to find and develop markets for Australian beef and live cattle," she said.

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