

PROFILE OF INDUSTRY

INDUSTRY & MARKETING PROSPECT OF WHEAT FLOUR IN INDONESIA

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INTRODUCTION

Wheat flour is a food containing carbohydrates and can serve as a substitute for rice. Wheat flour has a distinctive compared to other types of flour.

Wheat contains gluten, a protein that helps in the process on certain types of food such as bread. Besides processed into bread, wheat flour can be processed into a wide range of foods according to regional conditions in Indonesia.

Wheat flour is acceptable at all levels of society in Indonesia, it is seen from the increasing demand of the flour from year to year. Most of the its demand come from industry, either processed into bread, noodles, biscuits, pasta, and others.

BIZTEKA is interested in discussing wheat flour as it is the raw material of various kinds of foods in Indonesia, especially in big cities.

In this paper BIZTEKA uses two sources, namely primary and secondary. The primary data obtained from interviews with the producers of flour as well as industrial users. While secondary data obtained from government agencies such as the Ministry of Industry, the Central Bureau of Statistics, the Investment Coordinating Board, the Association of Indonesian Wheat Flour Producers (Aptindo) and bank data in BIZTEKA-CCI.

PRODUCT DESCRIPTION

Wheat flour is flour or fine powder derived from the ears of corn, and is used as a raw material to make cakes, noodles and bread. The Indonesian word 'terigu' is absorbed from the Portuguese, trigo, which means "wheat".

Wheat flour contains a lot of starch, a complex carbohydrate which is insoluble in water. Wheat flour also contains protein in the form of gluten, which play a role in determining the resilience of food.

The raw material of wheat flour is wheat (*Triticum* spp.) a group of cereal crops of the grains tribe rich in carbohydrates. Wheat is typically used to produce flour, animal feed, or fermented to produce alcohol.

Prehistoric people already know the qualities of wheat and other grain crops as a source of food. Based on the excavation archaeologists, wheat is estimated to come from the area around the Red Sea and the Mediterranean Sea, the area around Turkey, Syria, Iraq and Iran. The history of China shows that the cultivation of wheat has been around since 2700 BC.

OVERVIEW OF FLOUR INDUSTRY IN INDONESIA

Flour industry has existed in Indonesia since 1970 and continues to experience significant growth. Flour industry proved to be one of the industries that are resistant to the global economic crises. The impact of the economic crisis cannot be avoided but the industry is able to rise and recover quickly. Even in a relatively short time the industry becomes one of the drivers of economic development in the country.

The industry also continues to grow, supported by the improvement in per capita income, growing middle-income segment, and the ever increasing popularity of flour-based foods such as breads, cakes, pizza, pasta and a variety of snacks. Although the government has imposed anti-dumping duties on imports of wheat flour from certain countries, competition in the year 2013 remains high because of the inclusion of three new players and the increase capacity of some existing producers.

Until December 2013, the number of domestic manufacturers increased four times to 22 compared with the number of producers in 2006/2007. Throughout the year 2013, wheat flour import competition turned down as the implementation of the anti-dumping duty imports. The government policy gives advantages to the domestic producers.

However, Asean Free Trade Agreement (AFTA) and the China Free Trade Agreement (AC-FTA) in 2010 made of wheat flour products imported from Turkey, China, Australia, Sri Lanka, and Thailand are free to the local market. Moreover, the producers of flour in the country still rely on imported wheat from a number of countries.

Based on data from the Association of Indonesian Wheat Flour Producers (Aptindo), until the end of 2014 there were 29 companies engaged in the flour industry in Indonesia, with 30 factories. From 29 existing companies, 25 companies are concentrated in Java; 10 companies in East Java, 1 company DKI Jakarta, 8 companies Banten, 3 companies in Central Java and West Java 3. While 5 companies are located outside Java; 4 companies in the North Sumatra and 1 company in South Sulawesi.

In the year 1970-1998 (Pre Deregulation) or also known as Bulog era. There were 5 factories built located in Jakarta, Surabaya, Makasar, Semarang and Cilacap. While the post-deregulation period is divided into three stages, namely 6 units built from 1999 to 2008, the second and third 12 units 6 units. Here are the names of companies producing wheat flour by location and year of operations.

Table – 1.
The Development of National Flour Industry, 1970-2014

Subject	Deregulation Pre (Era BULOG)	Post of Deregulation			Total
	1970-1998	1999-2008	2009-2013	2014-2015	
Total	5	5 + 6 = 11	11 + 12 = 23	23 + 6	29
Location	Jakarta = 1 Surabaya = 1 Makasar = 1 Semarang = 1 Cilacap = 1	Gresik = 1 Tangerang = 1 Sidoarjo = 3 Medan = 1	Cilegon = 3 Tangerang = 1 Medan = 2 Bekasi = 3 Gresik = 1 Sidoarjo = 1 Mojokerto = 1	Tangerang = 1 Cilegon = 2 Gresik = 2 Jakarta = 1	Java = 25 Java out side = 4
Total of Production Capacity of Wheat flour: ± 11 million ton/year					

Source : processed by BIZTEKA from various source

