

Division of Marketing  
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# **Wisconsin - Indonesia Agricultural Trade Initiative Final Report**

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## **WISCONSIN- INDONESIA AGRICULTURAL TRADE INITIATIVE**

### **FINAL REPORT**

The Wisconsin-Indonesia Agriculture Trade Initiative is a dual purpose project and has the following objectives in mind:

1. To re-establish, support and continue with the development of the relations established between the Wisconsin Department of Agriculture Trade and Consumer Protection , Mr. Alan Tracy and the Directorate General of Livestock Services, Department of Agriculture, Indonesia, Dr. Soehadji. These relations were outlined on the MEMORANDUM OF UNDERSTANDING, signed between both offices on May 19, 1993. This document calls for the support from the Wisconsin Agriculture industry in the long term development of the Indonesian Agricultural Industry.
2. To create a business entity with the capability of :
  - a. Creating a network of qualified contacts in Indonesia, involved in the development of the Agricultural Industry at Governmental and private level.
  - b. To identify specific agricultural development projects that require inputs ( Products and services ) from Wisconsin and the USA.

- c. To select and identify strategic Wisconsin agricultural products with market potential in Indonesia.
- d. To initiate long-term marketing alternatives for Wisconsin agricultural products through the development of a buyers network in Indonesia and a sellers base in Wisconsin.

With the accurate identification of potential agricultural development projects in Indonesia and the identification of Wisconsin products with potential for marketing in that country, this trade initiative will provide the required elements to activate long term trade activities. This trade initiative will also provide with a vital communication link between Indonesian buyers and Wisconsin/U.S. companies interested in exporting to Indonesia.

In compliance with the expected results and applicability to development, this project has already complied with the objectives for which it was initially established . The achieved objectives are outlined as follows:

1. IDS has confirmed that there is a market for Wisconsin agricultural products in Indonesia.
2. We have contacted the Indonesian Government as well as private companies and educated them regarding our products and services .
3. IDS has qualified, selected and introduced Wisconsin agricultural companies committed to work in the Indonesian market for the development of product sales and services contracts.
4. IDS has identified and introduced agricultural products with potential for sales in the Indonesian market.
5. IDS has established initial commitments with Indonesian companies to provide with agricultural products and services. These commitments ( MOU'S ) are documented and signed for future implementation.
6. IDS has been appointed as United States business liaison for a local Indonesian trading company. This trading company is interested in pursuing trade in the following sectors:
  1. Biotechnology
  2. Agriculture
  3. Food Processing
  3. Food imports

In compliance with the work plan outlined in this project proposal, the following activities were conducted and finalized:

## **I. Product And Market Survey And Identification.**

A. Survey and Pre-selection of Indonesian importing companies.

B. Initial Survey of products to be exported to Indonesia.  
This activity was achieved working in conjunction and with the support of the W.D.A.T.C.P (Christopher Gutman) and the U.S.A Embassy in Jakarta (Michael Humhprey, Agricultural Counselor) and with local contacts that IDS has developed in previous marketing activities in country.

a. The following products were targeted and identified as exportable to Indonesia:

- Poultry Processing equipment.
- Slaughter and Meat Processing equipment.
- Dairy Processing equipment.
- Water processing equipment.
- Feedlot equipment
- Dairy Cattle
- Beef Cattle.
- Potatoes
- Cattle Feedstuffs
- Grains.
- Polished Stainless Steel Fabrication.
- Food products as follows:
  - Pop Corn
  - Potatoes
  - Chocolate Candy
  - Frozen Beef .
  - Milk powder
  - Snacks.
  - Breakfast cereal.

b. Importing Companies:

After an initial mail/ fax / telephone survey, IDS qualified 16 Indonesian companies importers of food products. We were able to select 6 final companies interested in importing food products and 2 local companies interested in biotechnology, agricultural and food processing equipment.

**II. Survey and Pre-selection of Wisconsin companies with potential for exports to the Indonesian market.** IDS conducted initial survey by mail, telephone interviews, fax and pre-selection of local Wisconsin companies capable of providing with such products and services. After an initial mail/fax /telephone survey of approximately 120 Wisconsin Food companies the following food companies were selected for export promotion in Indonesia:

1. Friday Canning Corporation, New Richmond, WI
2. Buddy Squirrel, Milwaukee, WI
3. Sunrise Milling, Johnson Creek, WI
4. Vincent Commodities, Middleton, WI
5. Jack Links Snack Foods, Minon, WI
6. Butler Beef, WI
7. Wisconsin Potato Growers

After reviewing supplier's information, organizing agricultural producer survey, and conducting company visits and meetings with company officials, the following engineering and agricultural equipment manufacturing companies were selected for export promotion :

1. Hartel Corporation, Fort Atkinson, WI
2. J-Star Industries, Fort Atkinson, WI
3. Consortium of Wisconsin Suppliers for Slaughter and Meat processing equipment.
4. Consortium of suppliers for Dairy Equipment.

### **III. PROJECT IMPLEMENTATION**

I.D.S Conducted two Trade Missions to Jakarta, to meet with the Indonesian companies selected as potential importers and to introduce through various marketing activities the local Wisconsin companies and products. An initial introductory trade mission and a second visit as a follow up to establish specific projects and agreements.

#### **INTRODUCTORY TRADE MISSION**

July 30 - August 15, 1994. During this initial trip IDS was able to conduct the following:

##### **1. Introduction of local Private company .**

Mr. Doug Hartel, President of Hartel Corporation traveled to Indonesia with IDS with the purpose of personally reviewing and assessing the potential for exports to that country. Mr.

Hartel was invited by IDS to participate in the introductory trade mission and meet with G.O.I and private company officials to present Hartel Corporation capabilities.

**2. Mission Objectives:**

1. To meet with the G.O.I officials on behalf of the W.D.A.T.C.P officials and re-establish the ties and commitment with the Directorate General Livestock Services officer Dr. Soehadji.
2. To meet with private company officers and potential importing companies and introduce IDS company portfolio.
3. To introduce Mr. Doug Hartel and Hartel Corporation to G.O.I officials, private company officials and the U.S Embassy Agricultural Counselor Mr. Michael Humphrey.
3. To meet and coordinate supporting marketing activities and project status with Mr. Michael Humphrey, Agricultural Counselor, U.S. Embassy , Jakarta.

**All objectives were accomplished in this introductory trip.**

**3. Introductory Trip Project Outline and Economic Impact:**

During this initial trip IDS had the opportunity to :

1. Meet with GOI officials and re-establish the ties and willingness to work in a common goal as stated in the Memorandum of Understanding signed by both states in 1993.
2. Meet with local importing companies. Presented them with company portfolio. Assessed product interest, and surveyed new product opportunities.
3. Established a strong working relation with two particular Importing companies.

IDS targeted the following products for marketing and export promotion:

1. **Dairy Products and Dairy Processing.** The Government of Indonesia (G.O.I) is currently undergoing an extensive development plan, integrating the dairy production and promoting dairy consumption in Indonesia. Lack of raw material and processing facilities are the main constrains to be addressed in this industry. As the Dairy state Wisconsin has a great advantage in contributing with products and services in the following manner:
  - A. Milk Processing capabilities
  - B. Milk Processing equipment
  - C. Milk Powder.

After our meetings were conducted with G.O.I officials and private companies, the following situations developed:

**A. Political Support.** G.O.I and D.G.L.S have re-established their commitment to support the Indonesian companies and the Wisconsin companies in the efforts to promote business and trade between the two states. In regards of the dairy industry needs, it was considered highly important to proceed with the following project implementation:

**B. Modular Dairy Processing Plant.** I.D.S has entered into an agreement with a local Indonesian company for the immediate project implementation of a 20,000 lb capacity Milk Processing plant in Java. This dairy processing plant will have the capability to process UHT milk, Cheese, Ice Cream and Yogurt. The exports of Milk Powder through the D.E.I.P program are now being considered by the US Embassy staff to allow price competition with Australia, New Zealand and European markets. IDS and Vincent Commodities have agreed in pursuing that market.

I.D.S has selected Hartel Corporation, Fort Atkinson, WI, as the engineering consulting company to implement this project. Hartel Corporation and IDS are now in the process of setting up a project proposal for project financing. The financial alternatives are now being reviewed with the participation and advice of local international banking Officer Mrs. Mary West, Firststar Bank, Madison, WI. Eximbank (Asian Development Bank) and the Overseas Private Investment Corporation (O.P.I.C) are institutions being considered for funding this project.

**PROJECT COST: \$750,000 US. Financing: International Funding Institutions.**

I.D.S is now committed to continue with the public relations activities in Indonesia to maintain viable Relations between G.O.I and W.D.A.T.C.P. Follow up letters to GOI from W.D.A.T.C.P are required at this time to maintain this activity in progress and to provide with the support needed to the ongoing projects.



**C. Polished Stainless Steel Products Licensing Agreement.**

I.D.S and Hartel Corporation have agreed on initial strategy to establish a Polished Stainless Steel production facility in Jakarta, Indonesia. These facilities would serve the local food industry and also hospital institutional demands.

**PROJECT COST: \$ 250,000 US. Financing: Private company.** -Hartel

**D. FOOD COMPANIES:** IDS introduced Food samples and catalogs from all Food Companies Portfolio to Indonesia. These food samples and catalogs were displayed at the U.S Food pavilion during the 1994 Asian Food Show held in Jakarta during the month of September. These samples and catalogs are now on display at the newly inaugurated Agriculture Trade Office and library in Jakarta. Currently there are two Indonesian companies interested in importing Wisconsin products. on-going activity

**E. ADDITIONAL PROJECTS REVIEWED DURING VISIT:**

The following potential projects were reviewed by IDS during this visit as well. IDS visited facilities and personnel involved in slaughter plant and meat processing and feedlot operation in Java and Sumatra. A local private company requested initial information on; potential imports of feeding steers from the USA to Indonesia, a water purification treatment for the slaughter plant prototype and feedlot equipment and supplies .

*Check with Knight on this*

**TRADE MISSION # 2: September 12 - September 27, 1994**

**MISSION OBJECTIVES:** In accordance with the plan of work outlined in the project proposal the following project activities were conducted during this trip:

1. Established IDS office in country and a local representative to market and promote sales, place orders, handle customs, importation procedures, inland transportation, and payments. Continue with activities.
2. Developed a distribution agreement.

3. Concluded introductory representative agreements between Wisconsin companies and IDS.
4. Concluded project agreements with importing Indonesian companies.
5. Qualified Indonesian distributors as importers of various Wisconsin products and services.
6. Participated in a local Agricultural Trade Show and exhibit for D.G.L.S and Dr. Soehadji, the government official in charge of the development of the Livestock industry in Indonesia and responsible for the development of the slaughter plant prototype in Indonesia.
7. IDS established an agreement with Indonesian importing company for the development of a Turn Key Operation Slaughter Plant prototype facility.
8. A new Agreement was entered to create a prototype Water Purification and Treatment Plant, to comply with environmental regulations for the Slaughter Plant
9. Visited US Embassy and reviewed development of Grain Imports to Indonesia and US Government export support programs.

*new part being built - to accommodate larger vessels*

**PROJECT OUTLINE AND ECONOMIC IMPACT:**

In compliance with the objectives of this proposal, IDS made contact with a larger base of potential customers in this market area. During the Agricultural Trade Show for the Directorate General of Livestock Services and Dr. Soehadji, IDS had the opportunity to exhibit the capabilities, supplies and expertise needed to provide D.G.L.S with a prototype slaughter plant for GOI. Government officials from all Indonesian provinces were present during this activity, as well as private producers and buyers.

Buyers were educated in the quality of agricultural products available through IDS. Wisconsin and IDS were able to enhance its competitive image based on providing performance agricultural products. Wisconsin exporters understand now the needs for this industry and are adjusting to be able to compete in it. With the support of IDS, buyers can obtain immediate market information that facilitates quotations for the products being sold in country.

This proposal also assures both buyers and sellers of a long-term business relationship. By promoting personal relations between Indonesian companies and Wisconsin exporters, we are creating the basis for understanding in trade and a personal relationship,

strongly needed to operate in this market. This mutual relationship leads to a long term commitment to sales.

### **CREATION OF THE NEW WISCONSIN- INDONESIAN TRADING CONSORTIUM DESK ( W.I.T.C.D )**

As part of the Grant objectives, I.D.S has now successfully established offices in Jakarta, Indonesia for the promotion of trade activities. Likewise, IDS is now appointed as direct representative and business liaison in the U.S.A for various Indonesian companies interested in trade. This provides with the opportunity to announce that this grant effort has facilitated the creation of the new **Wisconsin-Indonesian Trading Consortium Desk**. This W.I.T.C.D will continue to promote the necessary market development activities, promotional materials, trade seminars, trade opportunities, and trade mission activities among Wisconsin and U.S companies interested in participating in it. W.I.T.C.D will provide the participating companies with a targeted, and qualified entrance to the Indonesian market, within an organized, centralized and well structured system that will facilitate the proper marketing and sale of their products in that country.

#### **W.I.T.C.D will continue with the following objectives:**

Promotion of international agriculture development projects between Indonesia and Wisconsin companies:

1. Recruit Wisconsin companies to comply with present and future projects.
2. Consolidate orders to Indonesia.
3. Plan and prepare Freight consolidation and shipping facilities in Wisconsin.
4. Assist qualified distributors in market development.
5. Create the W.I.T.C.D advertising and sales promotional portfolio in Indonesian language. This portfolio will contain product literature and catalogs.
6. Implement additional trade missions to Indonesia to introduce W.I.T.C.D companies.
7. Establish a close relation with Government and Private Institutions that provide financial assistance and support agricultural development programs in Indonesia.
- \*8. Provide companies with International Financial assistance alternatives for projects in Indonesia.

#### **1. FEEDLOT EQUIPMENT AND SUPPLIES. J-STAR INDUSTRIES.**

IDS introduced during this trip to Indonesian buyers the necessary information and catalogs for Feedlot Equipment and Supplies from J-Star Industries. J-Star Industries is now being represented by local company in Indonesia for the sale of their equipment and products. IDS has entered an agreement with J-Star Industries, Fort Atkinson, WI to establish a long term presence in Jakarta. J-STAR supports the idea of a freight consolidation center for shipments to Asia.

## **2. PROTOTYPE SLAUGHTER PLANT:**

I.D.S has signed an agreement to provide with a complete project capability to set up turn key prototype slaughter plant in Java. This includes lay out, all products, supplies and services required in the slaughter plant. IDS is creating a consortium of Wisconsin companies that can provide with Slaughter and Meat processing products for this project.

**PROJECT COST: \$ 170,000 US . Financing: Indonesian Government.**

## **3. PROTOTYPE WATER TREATMENT AND PURIFICATION PLANT:**

IDS has agreed with providing a water treatment plant for the prototype slaughter plant. This project is now in the process of feasibility study funding and company recruitment.

**PROJECT COST: \$ 120,000 US. FUNDING: International Funding/ Grant Proposal feasibility study.**

*Top Priority \**  
\*The Indonesian Government is now in the process of building a new grain unloading port to allow large ships of 50,000 ton capacity to dock. The G.S.M program is now financing this effort and it will continue with the future financing of grain exports to Indonesia. An excellent opportunity is in place for the next 5 years to develop exports of soy bean, corn and cattle feedstuffs to Indonesia.

In conclusion the Indonesian economy is a large importer of agricultural products and it will continue to be in the next 10 years. The Indonesian agricultural economy continues to expand. With a population of 180 million people and a growing demand for food alternatives, imports are now the immediate answer. In the future, strategic alliances will provide those Wisconsin companies involved in the market with great opportunities to be establish locally and produce for the growing Indonesian and Asian markets.

ATTACHMENT: INVOICES AND BUDGET TABLE.

END OF REPORT.