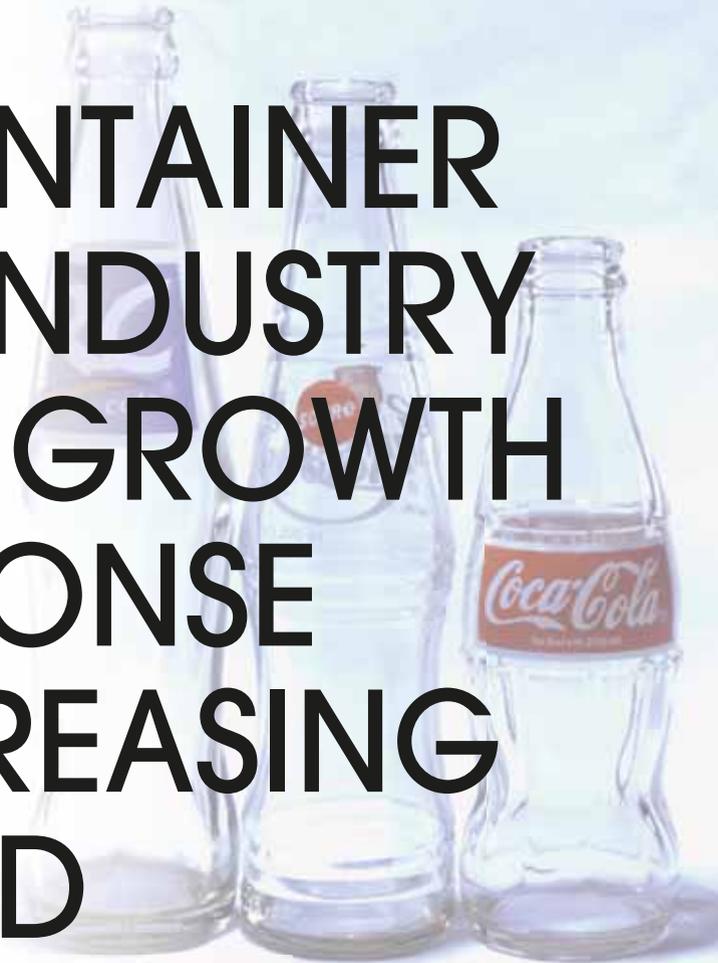


Indonesia:

THE CONTAINER GLASS INDUSTRY SHOWS GROWTH IN RESPONSE TO INCREASING DEMAND



The largest country in the South East Asia region, Indonesia is emerging as an important market for the container glass industry on the back of increasing demand from food, beverages and pharmaceutical industries. With steady increase in per capita consumption of packaged food & beverages and increasing attention on healthcare, country's container glass industry is expected to register steady growth rates for numbers of years to come. Glass Machinery Plants & Accessories presents an overview of the Indonesian container glass market and industry in this article.

VAST POTENTIAL

Many factors make Indonesia one of the most sought after container glass markets in the ASEAN region. The country spans a distance equal to that of what's between London and Tehran, and comprises more than 16,000 islands. It's also home to the world's fourth largest population.

Increasing urbanisation, constantly rising income, a young population, and an emerging middle class have ensured that packaged food & beverage demand remains steady. In line with the rising demand in the food and beverages sector over the last years, the container glass industry has significantly profited from changing consumption patterns in Indonesia, with customers looking for processed and packaged food in attractive and hygienic wrapping.



Globally, the high urbanisation rate has been an important factor for the growth of the container glass industry, as high urbanisation has a strong correlation with container glass consumption. Indonesia has one of the highest rates of urbanisation in ASEAN countries. Currently, 56 per cent of the Indonesian population lives in urban areas (at the start of the century - in 2000 - the figure was 42 per cent). With Indonesia's urban population growth averaging 4.4 per cent annually over the past 60 years, it is predicted that 68 per cent of the country's population will be living in cities and towns in the coming 10 years, according to the World Bank.

The Indonesian tourism sector is expected to become a significant contributor to container glass consumption in coming years. In 2017, the country welcomed over 14 million visitors, an increase of more than 2 million compared to the previous year. This rapid increase in visitors provides a steady demand of glass containers, as per capita consumption of food & beverages is quite higher for tourists in comparison to the local population.

On the negative side, container glass industry growth has been hampered due to less than average consumption in alcoholic beverages. Being a Muslim major-

ity country, alcohol sale is very low in Indonesia as compared to some of its other ASEAN peers. About 90 per cent of Indonesia's population is Muslim, and in theory banned from drinking. However, a high proportion of total population practice a moderate form of Islam and alcohol is available in cities and holiday destinations, but its consumption is quite low.

Stricter rules on sales of alcoholic beverages, introduced in 2015, constitute a challenge for container glass manufacturers. For example, in addition to the ban of liquor sales in minimarkets and kiosks, these outlets are additionally no longer allowed to sell beer. Although still available in larger supermarkets and hypermarkets, as well as bars, restaurants and hotels, the market for alcoholic drinks is heavily restricted.

THE PACKAGED FOOD & BEVERAGE INDUSTRY

The Indonesian packaged food

& beverage industry has registered steady growth in recent years. The container glass industry has benefited to some extent thanks to this growth, but other forms of packaging have gained more share of the growth in recent years. Being a Muslim majority country, alcohol usage is not very widespread. Because of religious beliefs, the country has one of the lowest per capita alcohol consumption in the region.

BEVERAGE CONSUMPTION IN INDONESIA

The food & beverage sector is expected to see robust growth in container glass consumption in the country in next few years. The Indonesia government has recently drawn up a road map for upgrading five manufacturing sectors and making the country one of the world's 10 biggest economies. The plan, entitled 'Making Indonesia 4.0' and released by the Ministry of Industry in May 2018, calls for developing the food and beverage, textile and

TABLE 1

BEVERAGE CONSUMPTION IN INDONESIA

Product	Volume (in million litres)	Volume growth (in %) over 2015	Value (in IDR Trillion)
Bottled water	20,440.8	11.6 %	45.80
Carbonates	1,065	3.4 %	16.01
Concentrates	108.6	-1.5 %	8.92
Juices	661.3	7.8 %	9.53
RTD Tea	2,752.8	9.6 %	30.74
RTD Coffee	94.2	20.5 %	2.49
Sports & Energy Drinks	661.1	4.5 %	10.10



garment, automotive, chemical and electronics industries. This is to be achieved through efficiency enhancements, improved transportation and the use of advanced technology like artificial intelligence, robotics and the internet.

PHARMACEUTICAL SECTOR

The last few years have seen a number of foreign pharmaceutical companies setting up their manufacturing plants in Indonesia. These investments in manufacturing facilities come amid an expected rise in demand for domestically made pharmaceuticals, driven by government efforts to expand national health insurance offerings. In 2014, Indonesia launched the Jaminan Kesehatan National Scheme, which aims to provide universal health coverage to Indonesian citizens by 2019. Given the significant expansion of country's pharmaceutical production capacity, the glass industry is expected to increase its share in the packaging of pharmaceuticals for a number of years.

There are 24 multinational

pharmaceutical companies currently active in Indonesia with a combined IDR 12.7 trillion market share, or, 28 per cent of the total Indonesian market. There are 182 domestic and state owned companies that account for the remaining 72 per cent of the market.

LEADING CONTAINER GLASS MANUFACTURERS IN INDONESIA

PT Mulia Glass

PT Mulia Glass is the largest container glass manufacturer in Indonesia. The company, which is also a major float glass manufacturer, has an installed capacity to produce 134,000 tons of container glass per annum. With two furnaces and seven production lines, PT Mulia Glass's container division produces flint glass bottles for food and beverage segments. Mulia container glass supplies glass containers to the well-known domestic food and beverage companies such as PT Heinz-ABC Food Co; PT. Sinar Sosro , PT Coca Cola Beverage

Unilever etc. In addition to domestic market, Mulia is also a significant exporter of container glass. Some of its overseas customers are Coca Cola Amatil bottling plants in Australia, RC Cola in Philippines and Bangkok Glass Industry, Thailand.

In 2017, the sales volume of glass containers declined by 1.8 per cent year-on-year to 128,872 tons. According to the management of PT Mulia Glass, "Staying faithful to our strategy to continue developing various product types and expand both domestic and export markets, we would continue increasing sales of light-weight bottle, using narrow neck press and blow technology, as well as green coloured bottle, consumed by the alcoholic beverage industry."

Owens Illinois

Owens Illinois (O-I), the largest global container glass manufacturer, headquartered in the US, has had a noticeable presence in the South East Asian country



COUNTRY OUTLOOK

since 1998, when it acquired Kangar Consolidated Industries (KCI) as part of its takeover of Kangar's Australian parent company, ACI Glass Packaging. Kangar Consolidated has been engaged in container glass production in the country since 1973.

Owens Illinois's Indonesian plant is based in the Jakarta suburban area of Cakung. It consists of two furnaces and six machine lines with an installed capacity of 2.64 million bottles per day. The American company underwent an expansion programme in 2014 to increase the installed capacity from 2.23 million bottles per day to the current capacity. During the same expansion, O-I also adopted NNPB technology at its Indonesian manufacturing facility.

O-I Indonesia supplies container glass to major brands of food, beverages, and pharmaceutical companies such as PT Multi Bintang Tbk, Kratingdaeng, Sambal Indofood, Hemaviton, and Marjan syrup, Coca Cola, Heineken, Heinz, Danone, Nestle, Unilever, PT Asia Health Energy Beverage, PT Djojonegoro, PT Supra Ferbindo Farma and Ultra Prima Adadi.

PT Schott Igar Glass

PT Schott Igar Glass, a subsidiary of German container glass manufacturer Schott, is a leading pharmaceutical glass manufacturer in Indonesia. Schott entered Indonesia in 1996 by means of a joint venture with the pharmaceutical manufacturer PT Kalbe Farma. In 1997, Schott purchased Kalbe's 51 per cent stake in the venture and consolidated the Indonesian company under Schott International.

The Indonesian factory is located on an area of 30,000 square meters in Bekasi, and has 70 production lines. The state of the art manufacturing facility is capable of producing 700 million vials, ampoules, pipettes and special articles for the pharmaceutical market every year. A number of leading global pharmaceutical producing companies such as Roche, Aventis and Pharmacia and local companies like Biofarma and Harsen are among the company's customers. About 60 per cent of its products are sold locally, while the rest is exported to about 20 markets in ASEAN countries, the Middle East, India and Pakistan. ■

