

Chapter 1

Current Status of the Food Industry in Indonesia

Hendra Wijaya

Centre for Agro-Based Industry, Ministry of Industry, Bogor, Indonesia & Department of Nutritional Science, Faculty of Health Science, Universitas Esa Unggul, Jakarta, Indonesia

Zaekhan Zaekhan

Centre for Agro-Based Industry, Ministry of Industry, Bogor, Indonesia

Lukman Junaidi

National Research and Innovation Agency, Indonesia

Ning Ima Arie Wardyanie

Centre for Agro-Based Industry, Ministry of Industry, Bogor, Indonesia

Yuliasri Ramadhani Meutia

Centre for Agro-Based Industry, Ministry of Industry, Bogor, Indonesia

Nona Widharosa

Centre for Data and Information, Ministry of Industry, Jakarta, Indonesia

Tita Rosita

Politeknik AKA Bogor, Indonesia

ABSTRACT

This study assesses the contribution of the food and beverage industry to the Indonesian economy based on firm characteristics. The comparative descriptive statistical method describes a detailed mapping of the firm's character and the main supporting factors, such as processed commodities, firm size, island region, capital ownership, and exporters. The contribution of the food and beverage sub-industry varies; the vegetable and animal oils and fats industry is the largest and most effective. Small and medium firms have the lowest contribution compared to

DOI: 10.4018/978-1-6684-5629-3.ch001

large firms. Firms in the Sumatra region have the highest contribution compared to firms in other regions. PMDN firms have a higher contribution than PMA firms. Non-exporting firms have a high average contribution compared to exporting firms. Based on the results, policymakers can concentrate on the potential to increase the contribution of a particular group of firms.

INTRODUCTION

The manufacturing sector is an industry that plays a vital role in the national economy (Attiah, 2019; Banerjee, 2020; Chakravarty & Mitra, 2009; Herman, 2016; Khan & Siddiqi, 2011; Qayyum, Khalid, & Muhammad Usman, 2021; Su & Yao, 2017; Nusratovich, 2019; Sengupta, Sinha, & Dutta, 2019). National Gross Domestic Product (GDP) data for the 2010-2020 period illustrate that the manufacturing sector consistently contributes the most to national GDP compared to other sectors (Statistics Indonesia, 2021a). The performance of manufacturing can provide a contribution share of 19.70 - 22.04 percent, with an average of 20.64 percent per year. In 2020, the manufacturing sector will remain the largest contributor to GDP at 19.88 percent (Figure 1).

In most developing countries, manufacturing sectors play a significant role in increasing economic development since the primary sectors have a low contribution to speeding up the national economy. To construct economic development, the role of manufacturing and labor-intensive industries are very significant in their contribution to non-mining export, absorbing the surplus manpower, and influencing the emergence of new employments (Wijaya, Kurniawati, & Hutama, 2018; Haraguchi, Cheng, & Smeets, 2017).

The food industry indicated higher total factor productivity growth compared to other industries. Meanwhile, the industry of processing and preserving meat, fish, fruits, vegetables, cooking oil, and fat (ISIC 151) has the highest productivity growth. General evidence shows that technical progress becomes the main factor of TFP growth, followed by scale and technical efficiency change (Widodo, Salim, & Bloch, 2015; Liu, Wang, Yang, Rahman, & Sriboonchitta, 2020).

The increasing trend of economic growth denotes that the Indonesian economy is experiencing an increase in production and expenditure, components that exist in GDP. Indonesia also experienced increased economic growth per capita (Suryahani, Susilowati, & M., 2018). The agricultural sector has proven to restore the economy in the domestic economic crisis. This sector contributes to the national economy and plays an important role in increasing income, creating job opportunities, as a source of foreign exchange, ensuring local food needs, and producing raw materials. In general, the agricultural sector plays a vital role in maintaining food security and

18 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/current-status-of-the-food-industry-in-indonesia/319448

Related Content

Bio-Economy at the Crossroads of Sustainable Development

José G. Vargas-Hernández (2020). *Advanced Integrated Approaches to Environmental Economics and Policy: Emerging Research and Opportunities* (pp. 23-48).

www.irma-international.org/chapter/bio-economy-at-the-crossroads-of-sustainable-development/236724

Role of Phytochelatin (PCs) and Metallothionein (MTs) Genes Approaches in Plant Signalling

(2020). *Nano-Phytoremediation Technologies for Groundwater Contaminates: Emerging Research and Opportunities* (pp. 118-132).

www.irma-international.org/chapter/role-of-phytochelatin-pcs-and-metallothionein-mts-genes-approaches-in-plant-signalling/241172

Role of Plant Growth Promoting Rhizosphere (PGPR) on Molecular Mechanisms Transporters Under Heavy Metal Stress

(2020). *Nano-Phytoremediation Technologies for Groundwater Contaminates: Emerging Research and Opportunities* (pp. 71-84).

www.irma-international.org/chapter/role-of-plant-growth-promoting-rhizosphere-pgpr-on-molecular-mechanisms-transporters-under-heavy-metal-stress/241169

Dairy Waste Treatment and Utilization: A Treatise

Anum Ishaq, Ubaid ur Rahman, Muhammad Haseeb Ahmad, Amna Sahar, Qamar Abbas Syed and Rashida Perveen (2020). *Waste Management Techniques for Improved Environmental and Public Health: Emerging Research and Opportunities* (pp. 160-182).

www.irma-international.org/chapter/dairy-waste-treatment-and-utilization/243878

Environmental Performance and Capital Structure: Evidence From Asia

Naiwei Chen and Min-Teh Yu (2022). *Handbook of Research on Energy and Environmental Finance 4.0* (pp. 377-396).

www.irma-international.org/chapter/environmental-performance-and-capital-structure/298758