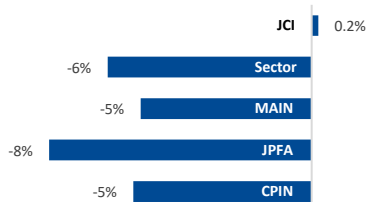


Neutral

(Maintained)

YTD share price performance



Sector EV/EBITDA band chart



Source: Bloomberg, BRIDS

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Poultry

Still unclear benefits from the potential MSG program on poultry demand

- Prabowo-Gibran's team indicated its free lunch program (MSG) would be fully rolled out by FY29F needing 1.2mn tons of chicken p.a.
- We see no clear evidence yet that MSG will bring additional demand, while uncertainty on the program poses downside risk for integrators.
- We maintain the sector's rating at Neutral, with CPIN (Buy TP of Rp5,200) as our top pick.

Possible MSG program to be fully rolled out by FY29F

Despite the still lingering concerns on logistics and budget, the Prabowo-Gibran team indicated that the free lunch program, aka Makan Siang Gratis (MSG), is expected to distribute 1.2 million tons of chicken meat by FY29. Assuming c. 2.4% p.a. production growth, the 1.2 million tons of chicken meat (assuming 100% broiler) to be distributed in the program might absorb 30.6% of the total production in FY29F. Based on our economist's internal assumption on the MSG budget (please see report [here](#)), the MSG program will gradually absorb 5.8-29.1% of annual broiler meat production from FY25-28F.

No clear evidence of additional demand, uncertainty poses downside risks

Despite the perceived substantial impact on the supply-demand of broilers, we see no clear evidence yet that MSG will bring additional demand (i.e., MSG beneficiaries might reduce/switch their normal chicken consumption, resulting in their daily chicken consumption remaining unchanged). On the other hand, the MSG program uncertainties can pose negative risks on budget reallocation and government regulations. If the government reallocates fuel subsidies to MSG, it can result in lower purchasing power for consumption in general and chicken specifically. And although less likely, regulations involving integrators forcing them to partake in the MSG program could elevate their costs and/or erode their market.

Feb24 industry data remained weak, albeit improving

In-line with our expectation for ST recovery, the avg. livebird (LB) price came in at Rp20.4k/kg (+14% mom, +15% yoy) as supply naturally adjusted, while purchasing power possibly improved. However, prices fell back to Rp18k in mid-Feb from Rp21k in the 1st week of Feb24. Likewise, DOC prices rebounded to c. Rp 7k/chick. Meanwhile, the local corn price declined further to Rp8.2k/kg in mid-Feb post its all-time high of Rp 9.1k/kg in the fourth week of Jan24 with the mid-Feb avg. price still 1% mom higher at Rp8.5k/kg. The soybean meal price was relatively stable at US\$350-360/t during Feb24.

Remaining Neutral with CPIN as our top pick

We continue to see ST negative sentiment (i.e., weak reported 4Q23 earnings and soft chicken and high corn prices during 1Q24). Hence, we maintain our Neutral view on the sector despite the 6% underperformance YTD. As the impact from the MSG program is still uncertain, we do not see this program as a catalyst for the sector. Risks to our view include the resumption of the culling program and a possible corn imports ban in the near term.

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2024F
					2023F	2024F	2023F	2024F	
Charoen Pokphand Indonesia	CPIN IJ	BUY	5,200	74,774.9	29.5	22.9	2.7	2.5	11.5
Japfa Comfeed Indonesia	JPFA IJ	HOLD	1,100	12,840.6	13.4	10.7	1.0	0.9	8.8
Malindo Feedmill Indonesia	MAIN IJ	BUY	650	1,141.8	10.5	9.1	0.5	0.4	4.9

Still unclear benefits from the potential MSG program on poultry demand

MSG to be fully rolled out by FY29F

Despite the still lingering concerns on logistics and budget, the Prabowo-Gibran team indicated that the free lunch program, aka Makan Siang Gratis (MSG), is expected to distribute 1.2 million tons of chicken meat by FY29. Assuming c. 2.4% p.a. production growth, the 1.2 million tons of chicken meat (assuming 100% broiler) to be distributed in the program might absorb 30.6% of the total production in FY29F. Based on our economist's internal assumption on the MSG budget (please see report [here](#)), the MSG program will gradually absorb 5.8-29.1% of annual broiler meat production from FY25-28F.

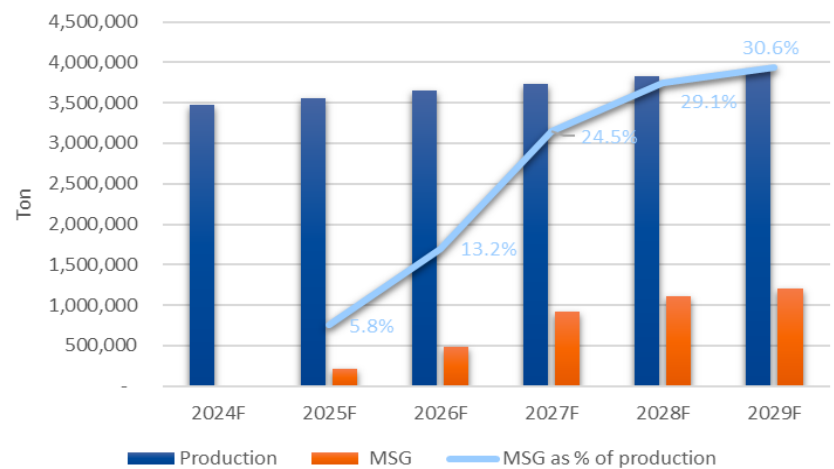
Exhibit 1. Free lunch (MSG) program key assumptions

	unit	2025	2026	2027	2028	2029	Assumption
Students Coverage	mn	11.4	26.1	49.1	57.7	61.0	- 1% growth per year - Students coverage start from 20% of total students from provinces with higher stunting prevalence
Expecting Mother	mn	1.2	2.4	3.6	4.8	4.8	- 4.8 million of expecting mother each year - 1.2 mn of expecting mother is expected to have stunting child, according to BKKBN
Daily budget	IDR	16,000	16,400	16,810	17,230	17,661	- 13,000 for meal + 3,000 for milk - 2.5% inflation each year
Total Budget	IDR tn	73.6	170.4	323.4	393.9	424.3	- Students coverage + pregnant mother

Source: BRIDS Estimates

No clear evidence on additional demand, uncertainty poses downside risks

Despite the perceived substantial impact on the supply-demand of broilers, we see no clear evidence yet that MSG will bring additional demand (i.e., MSG beneficiaries might reduce/switch their normal chicken consumption, resulting in their daily chicken consumption remaining unchanged). On the other hand, the MSG program uncertainties can pose negative risks on budget reallocation and government regulations. If the government reallocates fuel subsidies to MSG, it can result in lower purchasing power for consumption in general and chicken specifically. And although less likely, regulations involving integrators forcing them to partake in the MSG program could elevate their costs and/or erode their market.

Exhibit 2. Supply and demand projection of broiler meat based on the MSG program


Source: BRIDS

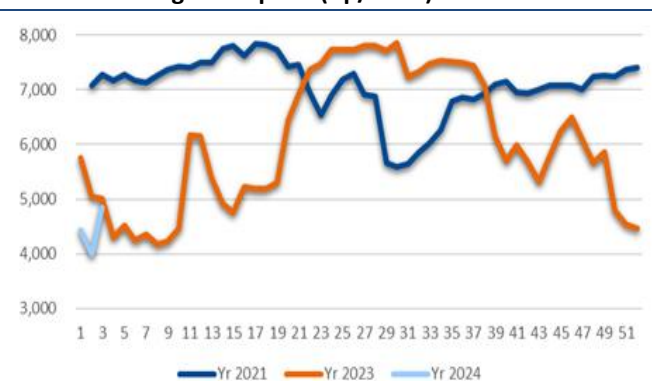
Source: MoA, various sources, BRIDS estimates

February data remained weak, albeit improving

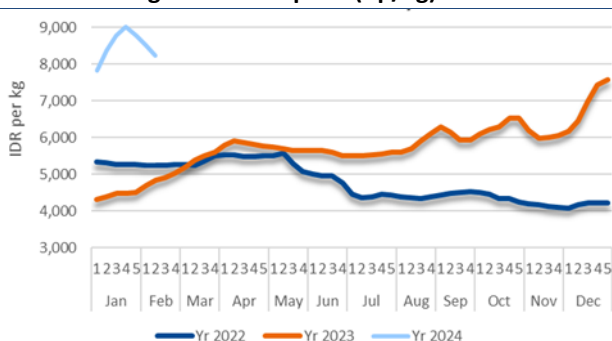
In-line with our expectation for ST recovery, the avg. livebird (LB) price came in at Rp20.4k/kg (+14% mom, +15% yoy) as supply naturally adjusted, while purchasing power possibly improved. However, prices fell back to Rp18k in mid-Feb from Rp21k in the 1st week of Feb24. Likewise, DOC prices rebounded to c. Rp 7k/chick. Meanwhile, the local corn price declined further to Rp8.2k/kg in mid-Feb post its all-time high of Rp 9.1k/kg in the fourth week of Jan24 with the mid-Feb avg. price still 1% mom higher at Rp8.5k/kg. The soybean meal price was relatively stable at US\$350-360/t during Feb24.

Exhibit 3. West Java livebird price (Rp '000/kg)

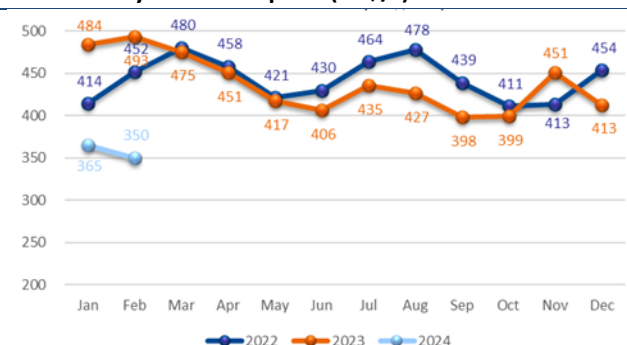

Source: Various sources, BRIDS Estimates

Exhibit 4. Average DOC price (Rp/chick)


Source: Various sources, BRIDS Estimates

Exhibit 5. Average local corn price (Rp/kg)


Source: Various sources, BRIDS Estimates

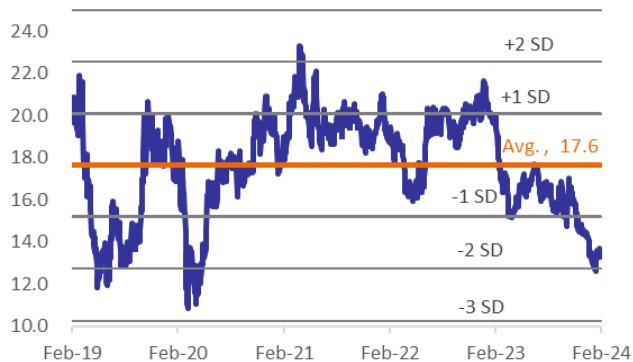
Exhibit 6. Soybean meal price (US\$/t)


Source: Various sources, BRIDS Estimates

Remain Neutral with CPIN as our top pick

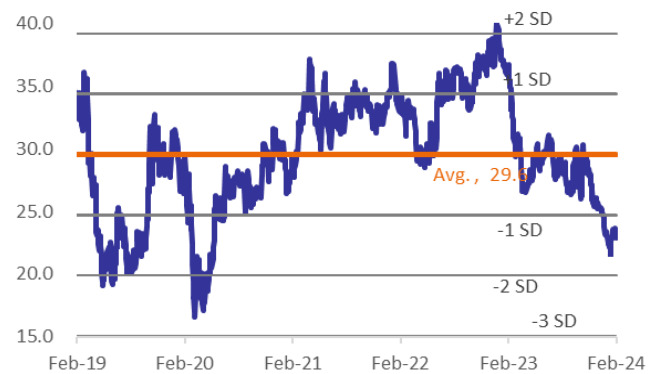
We continue to see ST negative sentiment (i.e., weak reported 4Q23 earnings and soft chicken and high corn prices during 1Q24). Hence, we maintain our Neutral view on the sector despite the 6% underperformance YTD. As the impact from the MSG program is still uncertain, we do not see this program as a catalyst for the sector. Risks to our view include the resumption of the culling program and a possible corn imports ban in the near term.

Exhibit 7. CPIN EV/EBITDA band chart (5-year)



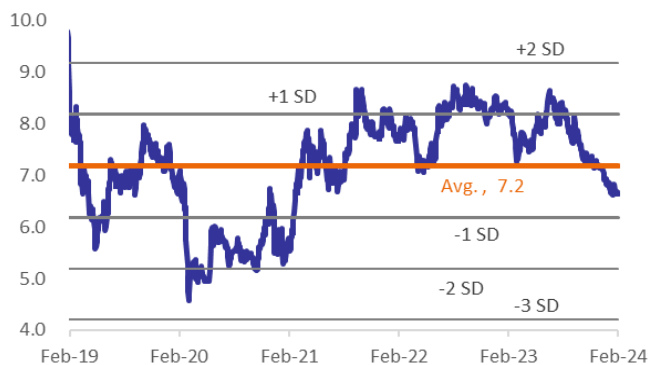
Source: Bloomberg, BRIDS Estimates

Exhibit 8. CPIN P/E band chart (5-year)



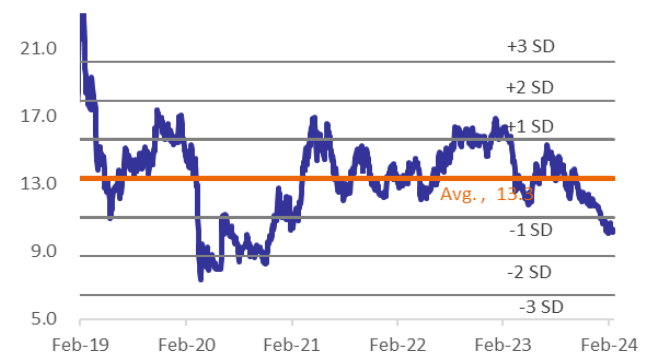
Source: Bloomberg, BRIDS Estimates

Exhibit 9. JPFA EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 10. JPFA P/E band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 11. MAIN EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 12. MAIN P/BV band chart (5-year)



Source: Bloomberg, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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