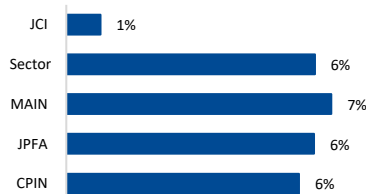


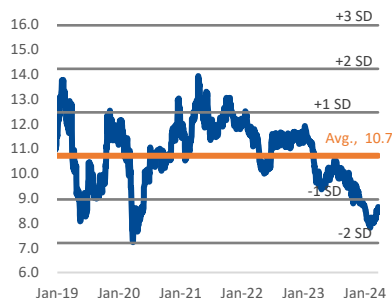
Neutral

(Maintained)

YTD share price performance



Sector EV/EBITDA band chart



Source: Bloomberg, BRIDS

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Poultry

Indonesia domestic corn production is not in oversupply

- BPS calculated corn production at 14.8mn tons in FY23, lower than the demand of 16.3 mn tons in FY22 estimated by the MoA.
- Based on the estimated production, BPS predicts that corn prices were high during Jan-Feb but will be lower in Mar-Apr 2024.
- We maintain our sector rating at Neutral, with CPIN (Buy TP of Rp5,200) as our top pick.

New observations result in lower estimated corn production

In our recent call, the Central Statistics Agency (BPS) stated that it employs an integrated method for calculating corn production, which combines data from two collection systems: harvest area and productivity. The sample size for the corn production survey consists of 21,976 segments, totaling 87,860 observation points. Field observations are conducted during the last week of each month. The implementation of this new method has yielded a corn production estimate ranging from approximately 13 to 16 mn tons annually, notably lower than the previously reported figure of over 20 mn tons. We believe it is imperative for the government to incorporate this updated production data into its decision-making process.

Lower production in FY23 due to El Nino

In the past four years, corn production was at its highest in FY22, with a land area of 2.76 mn ha and dry corn (KA 14%) production of 16.5 mn tons, +23% yoy vs. FY21. Nonetheless, corn production in FY23 was down by 10.6% yoy due to a decline in the harvested area of 10.4% and slightly lower productivity of 5.97t/ha, both of which reflect the impact of El Nino.

Delayed harvests but higher production expected in early FY24

Corn harvesting area in 4M24 is estimated to increase to 0.96 mn ha (+10.4% vs. 4M23), with total estimated production of 5.34 mn tons (+10.3% vs. 4M23). The estimated 4M24 corn production is at a similar level to 4M22's production before El Nino hit. The high corn prices in Jan-Feb24 reflect lower corn harvesting area due to the delay in corn planting caused by El Nino in FY23. This resulted in lower corn production in the Jan-Feb period compared to the last three years but higher production in the Mar-Apr period. As such, corn prices are expected to fall in Mar-Apr24, and a decline has already been evident since late February. Nonetheless, in Apr24, the production quantity is estimated to decline slightly to 1.76 mn tons (-23.1% mom), indicating that the corn price is expected to be slightly higher in Apr24 than in Mar24 though not as high as in Jan-Feb24.

Maintaining a Neutral view with CPIN as our top pick

Despite the attractive LT growth outlook, we continue to see ST negative sentiment (i.e., weak reported 4Q23 and 1Q24 earnings and potentially soft chicken prices post Lebaran without culling programs). Risks to our view include the resumption of the culling program and the possibility of the corn imports ban being lifted.

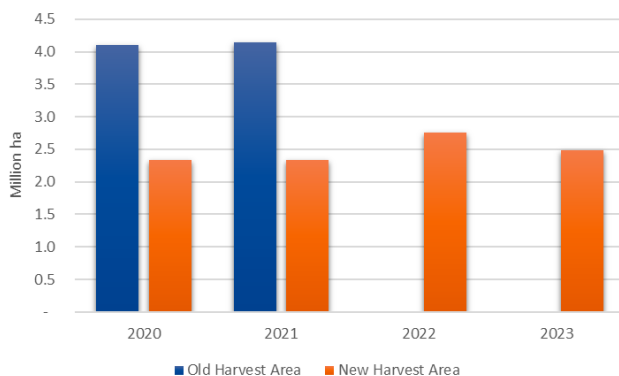
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2024F
					2023F	2024F	2023F	2024F	
Charoen Pokphand Indonesia	CPIN IJ	BUY	5,200	87,319.4	34.5	26.8	3.2	3.0	11.5
Japfa Comfeed Indonesia	JPFA IJ	HOLD	1,100	14,716.9	15.8	13.8	1.1	1.1	7.8
Malindo Feedmill Indonesia	MAIN IJ	BUY	650	1,231.3	11.3	9.8	0.5	0.5	4.9

Indonesia domestic corn production is not in oversupply

New observations result in lower estimated corn production

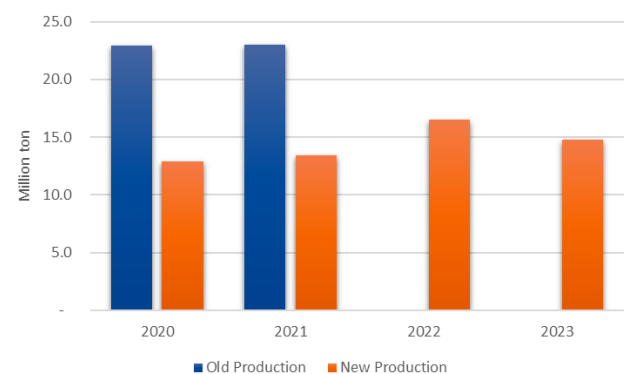
We recently hosted a call with the Central Statistics Agency (BPS) to gain a better understanding on Indonesia's corn production and harvesting area. In the call, BPS stated that it employs an integrated method for calculating corn production, which combines data from two collection systems: harvest area and productivity. The sample size for the corn production survey consists of 21,976 segments, totaling 87,860 observation points. Field observations are conducted during the last week of each month. The implementation of this new method has yielded a corn production estimate ranging from approximately 13 to 16 mn tons annually, notably lower than the previously reported figure of over 20 mn tons. We believe it is imperative for the government to incorporate this updated production data into its decision-making process.

Exhibit 1. Indonesia corn harvest area



Source: BPS, Various sources, BRIDS Estimates

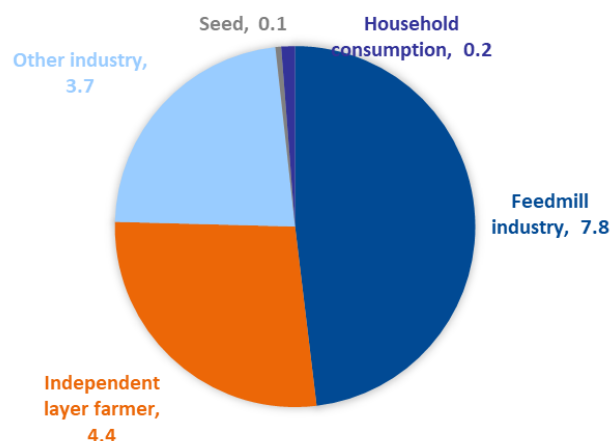
Exhibit 2. Indonesia corn production



Source: BPS, Various sources, BRIDS Estimates

Based on Ministry of Agriculture data, demand for corn stood at 16.3mn tons in 2022, almost half of which was absorbed by the feedmill industry. Corn demand for feed in FY22 was up by 25.4% compared to FY21 production. In FY23, corn demand for the feedmill industry is estimated to reach 8.4 mn tons (+6.8% yoy).

Exhibit 3. Indonesia corn demand (2022)

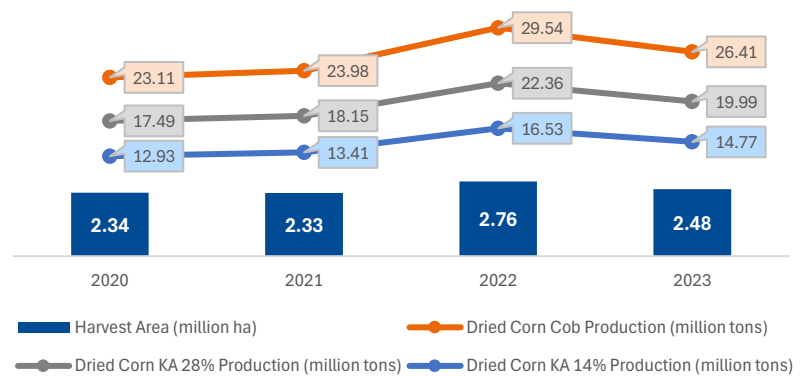


Source: MoA, BRIDS estimates

Lower production in FY23 due to El Nino

In the past four years, corn production was at its highest in FY22, with a land area of 2.76 mn ha and dry corn (KA 14%) production of 16.5 mn tons, +23% yoy vs. FY21. Nonetheless, corn production in FY23 was down by 10.6% yoy due to a decline in the harvested area of 10.4% and slightly lower productivity of 5.97t/ha, both of which reflect the impact of El Nino.

Exhibit 4. Indonesia corn harvest area and production



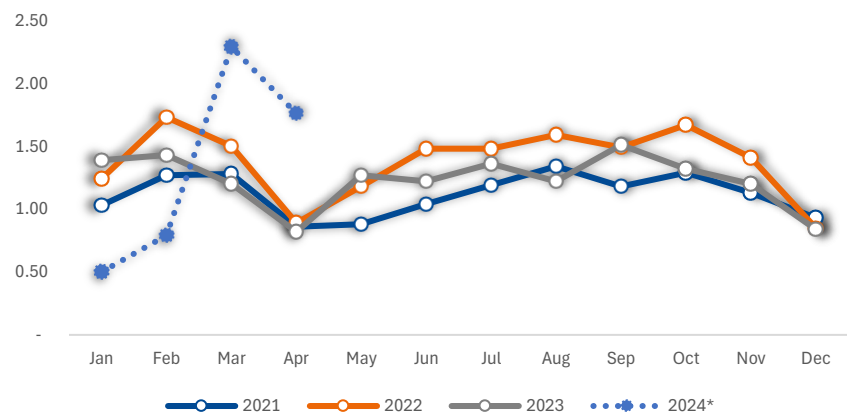
Source: BPS

The animal feed industry has continued to grow over the past 3 years. In 2020, the production of animal feed reached 18.93mn tons, and in 2021, it increased to 20.26 mn tons. In 2022, the production of animal feed further increased to 20.74 mn tons. Of the total animal feed produced by the industry in 2022, the poultry feed segment accounted for the largest share, approximately 98%.

In the production of feed, feed ingredients constitute the largest cost component, reaching 83% of the total production cost for broiler chicken feed and 84% for layer chicken feed. Corn is the feed ingredient with the highest proportion of usage in poultry feed formulation in Indonesia, currently accounting for 50% of the total.

Delayed harvests but higher production expected in early FY24

Corn harvesting area in 4M24 is estimated to increase to 0.96 mn ha (+10.4% vs. 4M23), with total estimated production of 5.34 mn tons (+10.3% vs. 4M23). The estimated 4M24 corn production is at a similar level to 4M22's production before El Nino hit. The high corn prices in Jan-Feb24 reflect lower corn harvesting area due to the delay in corn planting caused by El Nino in FY23. This resulted in lower corn production in the Jan-Feb period compared to the last three years but higher production in the Mar-Apr period. As such, corn prices are expected to fall in Mar-Apr24, and a decline has already been evident since late February.

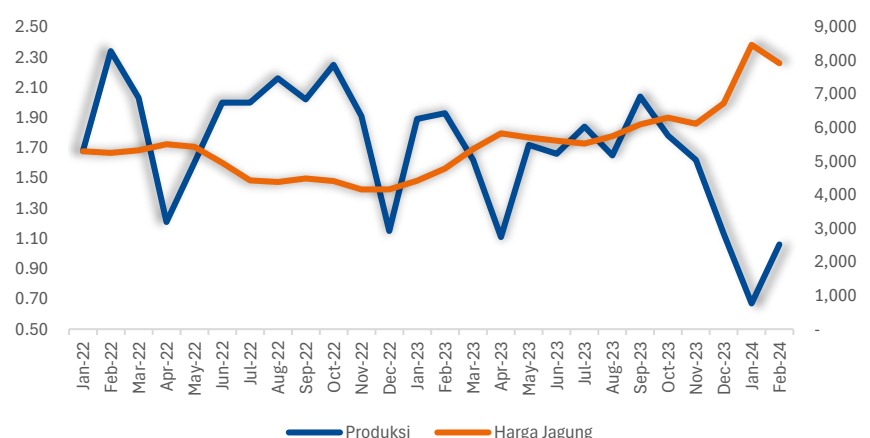
Exhibit 5. Indonesia corn harvest area and production


Source: BPS, BRIDS

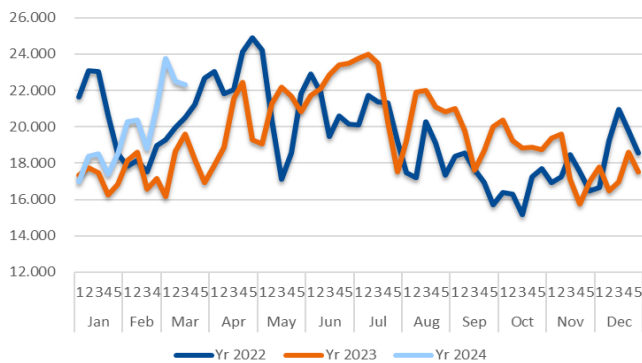
Local corn prices are strongly correlated to production

Production quantity is negatively correlated to local corn prices. The estimated corn production for 14% KA in Jan24/Feb24 is predicted to decline by -64.0%/-44.8% year-on-year (yoy), respectively. Conversely, the average price of corn in Jan24 and Feb24 is higher by 91%/66% compared to the previous year (Jan/Feb23: Rp4,424/kg and Rp4,783/kg), reaching Rp8,467/kg in Jan24 and Rp7,922/kg in Feb24.

Meanwhile, the potential production quantity in Mar24 is estimated at 2.29 mn tons (98.8% yoy/189.9% mom). This indicates an increase in supply, which could potentially lower corn prices. Indeed, corn prices already fell in early Mar24 to around Rp5,900/kg (-25.5% vs. Feb24). However, in Apr24, the production quantity is estimated to fall slightly to 1.76mn tons (-23.1% mom), indicating that the corn price may be slightly higher in Apr24 than in Mar24 but not as high as in Jan-Feb24.

Exhibit 6. Indonesia corn production vs corn price


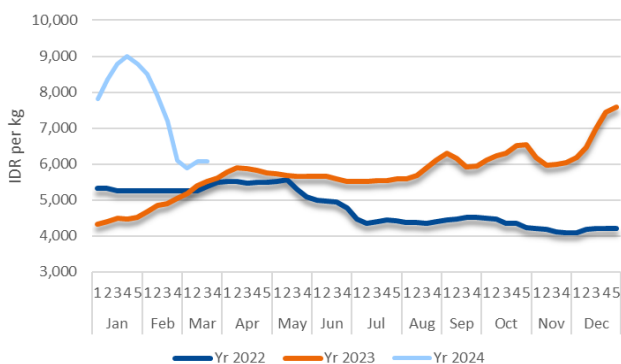
Source: BPS, BRIDS

Exhibit 7. West Java livebird price (Rp '000/kg)


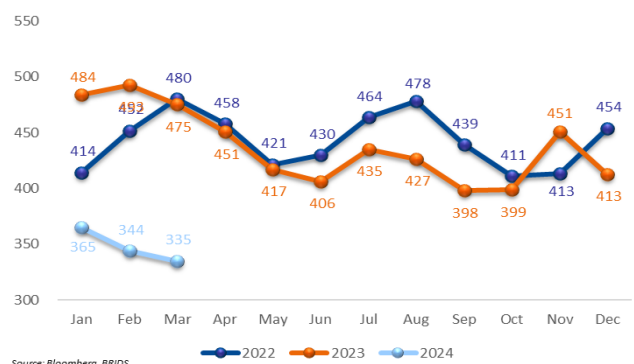
Source: Various sources, BRIDS Estimates

Exhibit 8. Average DOC price (Rp/chick)


Source: Various sources, BRIDS Estimates

Exhibit 9. Average local corn price (Rp/kg)


Source: Various sources, BRIDS Estimates

Exhibit 10. Soybean meal price (US\$/t)


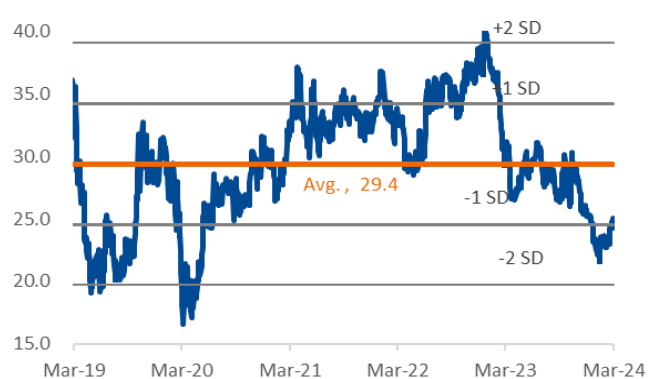
Source: Various sources, BRIDS Estimates

Maintaining a Neutral view with CPIN as our top pick

Despite the attractive LT growth outlook, we continue to see ST negative sentiment (i.e., weak reported 4Q23 and 1Q24 earnings and potentially soft chicken prices post Lebaran without culling programs). Risks to our view include the resumption of the culling program and the possibility of the corn imports ban being lifted.

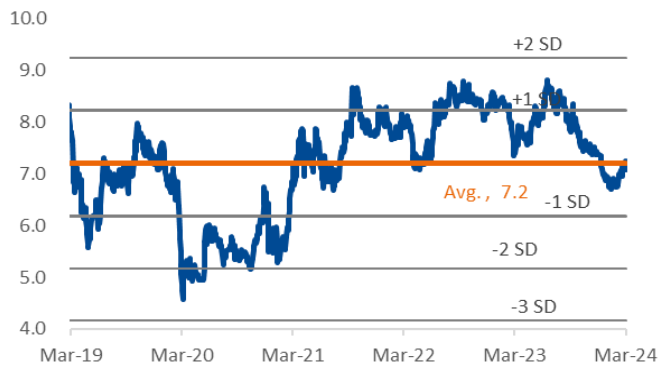
Exhibit 11. CPIN EV/EBITDA band chart (5-year)


Source: Bloomberg, BRIDS Estimates

Exhibit 12. CPIN P/E band chart (5-year)


Source: Bloomberg, BRIDS Estimates

Exhibit 13. JPFA EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 14. JPFA P/E band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 15. MAIN EV/EBITDA band chart (5-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 16. 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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