

# Poultry

## First culling of the year

### Stock reduction continues to prevent oversupply

- 1) Cutting for hatchery eggs fertile aged 19-days amounted to 142mn or equivalent to 125mn DOC FS (21% from Jan-Feb22 supply of 501mn DOC FS) to be implemented with a weekly target of 21.8mn eggs starting 8Jan22-19Feb22 in Sumatera, Java, Sulawesi, and Kalimantan. Post Nov21 initiative, the surplus will be reduced to 5% (vs. 33% oversupply pre-adjustment).
- 2) Government continues early culling of parent stock aged  $\geq 56$  weeks regularly with a maximum of 64 weeks aged (vs. common practice of 68 weeks) nationwide up to Dec22 to reduce egg production given a shorter laying phase.

### A good start for broiler and DOC

YTD Jan22, broiler price hovers around IDR 21,550/kg in West Java or 12% higher than 4Q21's average of IDR19,266/kg. Meanwhile, YTD Jan22 DOC price is IDR6,400/unit or flat as compared to 4Q21. We expect broiler and DOC prices to improve to IDR 23,000/kg and IDR7,500/unit in the following months.

### Gradual recovery in chicken meat demand

Based on our estimate, monthly chicken consumption in FY22 should hover around 246mn kg/ month, therefore 1Q22 chicken consumption is estimated to reach 741mn or 5% higher as compared to 4Q21 chicken demand at 707mn kg. It has yet to reach 2Q21 level of 808mn kg, but we view that mobility and festive season will start in Apr22 to support chicken consumption.

### Corn price should remain high in 1Q22

We went for channel checks in cornfields in East Java to recognize the roots problem of currently high corn prices. Based on our discussion with the local farmer, corn production was hampered due to consistently high price of fertilizer (fertilizer is the third biggest cost by 10%, after plant seeds 12% and labor 63% per one-hectare field). In East Java, the non-subsidized fertilizer is selling at IDR 4,750/ kg or 110% higher than subsidized fertilizer at IDR2,250/kg. In addition, farmers also face difficulty to obtain fertilizer due to uneven product distribution across the regions. Given corn price remains high, we view that recovery in feed margin might be hampered in 1Q22.

### Maintain a positive view on poultry integrators

We have an OVERWEIGHT call on poultry integrators. We have a BUY recommendation on CPIN with a TP of IDR7,600 and BUY on JPFA with a TP of IDR 2,400.

Ticker	Rating	Last Price	Target Price	Upside	P/E		P/B		ROE	
					FY21	FY22	FY21	FY22	FY21	FY22
CPIN UJ	BUY	6,150	7,600	24%	23	18	4	3	11	13
JPFA UJ	BUY	1,755	2,400	37%	12	12	2	1	0	0
<b>Average</b>					<b>18</b>	<b>15</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>6</b>

## Company Update

### Poultry

13 January 2022

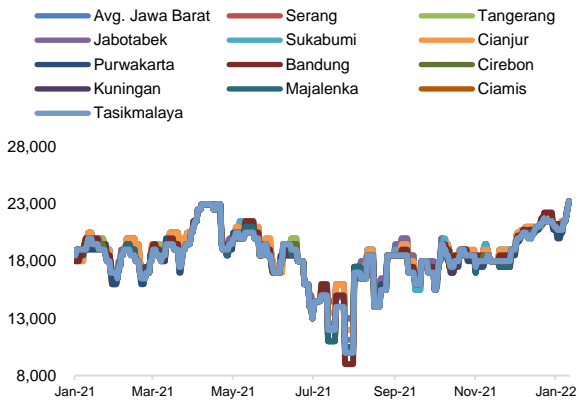
## Overweight (Maintain)

Company	Rating	TP (IDR)
CPIN	BUY	7,600
JPFA	BUY	2,400

**Illona Freddy**

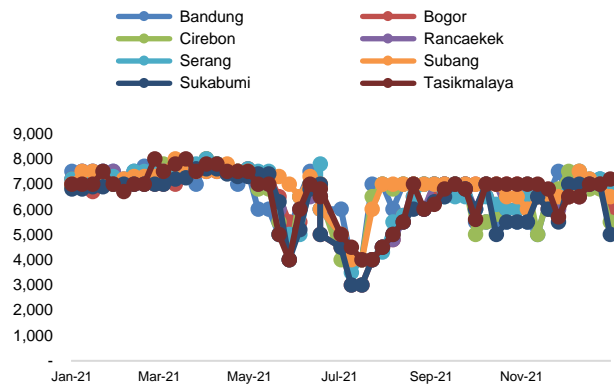
[illona.f@kisi.co.id](mailto:illona.f@kisi.co.id)

Fig 1. Jan 22' broiler price in West Java areas



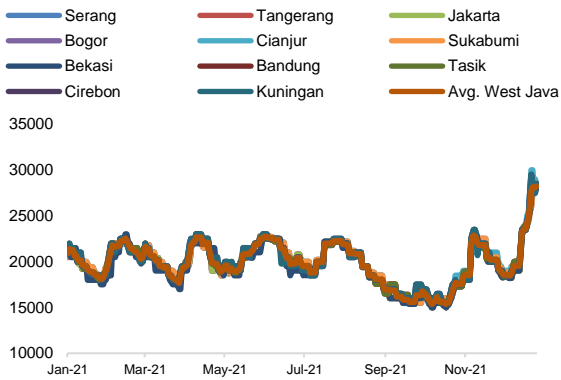
Source: KISI

Fig 2. Jan 22' DOC price in West Java areas



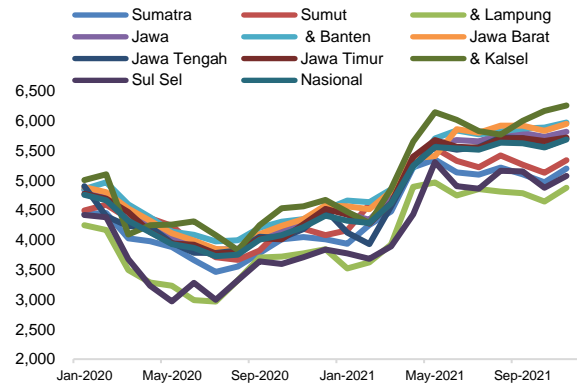
Source: KISI

Fig 3. Jan 22' Egg price in West Java areas



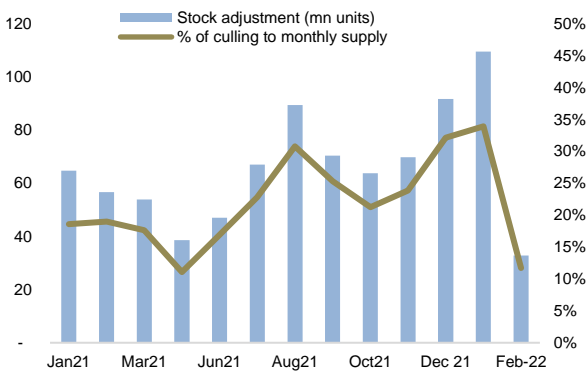
Source: KISI

Fig 4. Corn price in various provinces



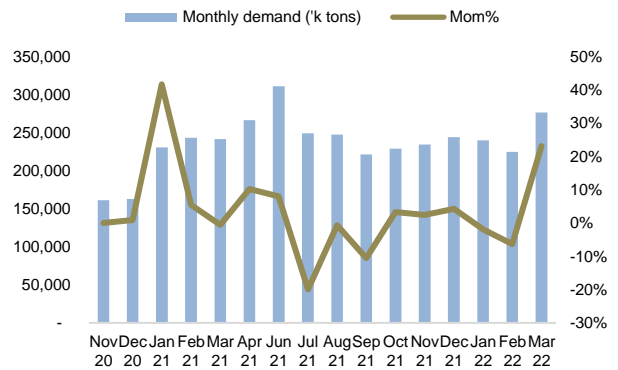
Source: KISI

Fig 5. Culling portion to total supply (mn units)



Source: KISI

Fig 6. National chicken meat demand ('000 tons)



Source: KISI

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