

August 9, 2022



Research Center

Morning KISI/

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Poultry

Less pressure from key input cost

Normalizing DOC price

We captured an anomaly in the movement of West Java live bird and DOC prices on Apr-22 and May-22. Live bird prices in Apr-22 strengthened by 10.3% MoM to IDR22,614/kg and slightly declined by 2.7% MoM to 22,000 in May-22 due to seasonally slower consumption after Ramadan period. However, DOC price fell considerably by 44.7% MoM in Apr-22, followed by a 38.0% MoM plunge in the subsequent month to IDR3,929/chick and IDR2,435/chick. This condition led to a question “Why broiler prices hover at a relatively high level while DOC price was too low?”. Nevertheless, after we checked on the data and confirmed with poultry players, Jul-22 and Aug-22 DOC prices have reverted to around IDR5,500/chick.

Profitable chicken prices on the back of limited supply

Commonly in Muharram/ Suro month (30 days), broiler price most likely decreased. This was mainly driven by a lower chicken demand. However, until end of July-22 livebird price trades at IDR21,000-22,500/kg in West Java, while Central Java and East Java prices are even higher at IDR20,500-24,000/kg. As such, if the cost of poultry farmers is around IDR20,000/kg, they are obviously enjoying profits. Our channel mentioned that Inventory in cold storage of chicken slaughterhouse only last for 1 week, at the time of full cold storage, it can serve until 3-month. This can be an indication the broiler supply in the market is limited on the back of supply demand. We view poultry farmers have expected seasonally low demand during Suro month, whilst lead to a lower supply, yet the demand is still there in which affecting to limited supply. We foresee supply-demand dynamics sustain until end of year, hence average livebird price unlikely to drop below IDR20,000/kg.

Export to Singapore will not move a needle

In early July-22, Singapore Food Agency (SFA) has finally approved Indonesia as a new import source of poultry and poultry products with CPIN, JPFA and PT Ciomas that appointed so far by SFA. We notice that for a moment, the positive news become catalyst for poultry stocks, however we view the potential amount of revenue that may come from export to Singapore will not significant. Based on our back at envelope calculation, potential revenue is only around IDR800-900 bn per year if all volumes that banned from Malaysia to Singapore tackled by Indonesia. That is only 0.9% of total JPFA and CPIN's revenue combined.

BUY on CPIN and JPFA

We reiterate Buy recommendation on JPFA with TP of IDR2,500/sh and CPIN with TP of IDR7,000/sh. Our top pick for the sector is JPFA, as the company has been lagging relative to CPIN, cheaper multiple at 6.7x 2023F PE (vs. CPIN at 18.4x P/E) and more sensitive to changes in broiler prices. Key risks include: 1) higher-than-expected average corn and soybean meal price 2) Bleaker macroeconomic outlook that led to weaker purchasing power 3) Oversupply of chicken.

Sector Update

Poultry

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Overweight

Company	Rating	TP (IDR)
JPFA	BUY	2,500
CPIN	BUY	7,000

CPIN share price



Source: Bloomberg

JPFA share price



Source: Bloomberg

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Market Commentary

Market Commentary

- JCI closed near flat on Monday, after a series of tug of war between bulls and bears amid lack of sentiments from global peers. Asian stocks wavered while US futures rose as traders assess Fed hikes.
- The index traded slight lower most of the sessions as tech heavyweight GOTO IJ -4.73% and coal miners dragged, but managed to rebound at the fag end of the session thanks to smart recovery in metal miners and late rally in blue-chip stocks.
- Metal miners made a sharp turn at late session following Tesla – Indonesia nickel deal and gain in copper prices on robust demand. MDKA IJ +4.17%, INCO IJ +3.68%.
- MAPI IJ +2.08%, MAPA IJ +3.36% jumped on Monday trading despite closed off day-high, underpinned by better than expected 1H22 earnings.
- Coal miners fell as coal prices extended decline, Newcastle coal prices has fell 20% from its recent peak at \$426. ADRO IJ -1.59%, PTBA IJ -1.94%
- Top Gainers: ASII (+4.55%), BMRI (+2.80%), UNTR (+3.19%)
- Top Losers: GOTO (-3.27%), ARTO (-2.76%), BEBS (-4.69%)

News

Macroeconomic, Sector and Corporate News

- UNTR – Subsidiary EPN signed CSPA to acquire 632.8mn shares of ARKO (21.6% stakes) from ACEI Singapore Holding Private Ltd for IDR176.6bn. (Kontan)
- TOWR – Subsidiaries BIT Teknologi Nusantara & Iforte signed CSPA to acquire fiber optics asset from PT Alita Praya Mitra for IDR801bn. (Bisnis)
- KLBF – Subsidiary PT Mostrans Global Digilog signed a MoU with SMDR to develop digital innovation in logistics. (Bisnis)
- ANTM – Signed HoA with CNGR Co. Ltd to construct & develop Industrial Estate project focusing on nickel downstream to produce raw materials for EV. (Bisnis)
- DILD – Collaborates with Mitbana Urban Development Fund to develop 51ha TOD in Talaga Bestari, Tangerang. (Investor daily)
- PTPP – Recorded 1H22 net profit of IDR86.9bn, +1.1% YoY. 29% of FY22 cons. (Kontan)
- CSRA – Recorded 1H22 net profit of IDR178bn, +113% YoY. (Kontan)
- WSBP – Recorded 1H22 net profit of IDR1.4tn (vs 1H21 net loss of IDR154bn). (Bisnis)
- MTLA – Recorded 1H22 net profit of IDR110.7bn, +30.9% YoY. (Bisnis)
- DRMA – Recorded 1H22 net profit of IDR143.6bn, +45% YoY. (Bisnis)
- IBST – Recorded 1H22 net profit of IDR48.9bn, down 33% YoY. (Investor daily)

Outliers

Outlier Stocks

- Sharp Movers (Up) : HATM (+24.7%), ATAP (+19.3%), LAND (+10.8%)
- Sharp Movers (Down) : ESTA (-6.8%), NASI (-6.6%), CAKK (-6.6%)

Macro Calendar

August 9, 2022

Mon	Tue	Wed	Thu	Fri
1	2	3	4	5
Korea> July exports US> July ISM manufacturing PMI China> July Caixin manufacturing PMI	Korea> July CPI	US> MBA mortgage applications July ISM services PMI June durable goods orders (F) China> July Caixin services PMI	US> June trade balance New jobless claims	US> July change in non-farm payrolls July jobless rate
8	9	10	11	12
China> July imports and exports (Aug 7) July trade balance (Aug 7) July FX reserves (Aug 7)	OECD leading economic index	Korea> July unemployment rate US> MBA mortgage applications July CPI China> July PPI July CPI	MSCI quarterly review The OPEC Monthly Oil Market Report Japan> Market closed (Mountain Day)	US> August Michigan Consumer Confidence (P)
15	16	17	18	19
Korea> Market closed (National Liberation Day) US> August manufacturing index (New York) China> June mining and manufacturing production July fixed asset investment Japan> June mining and manufacturing production (F) 2Q GDP (P)	US> July housing starts July mining and manufacturing production July capacity utilization	US> July retail sales Europe> 2Q GDP (P) Japan> July core machinery orders	US> FOMC minutes New jobless claims July existing home sales Europe> July CPI	Japan> July CPI
22	23	24	25	26
	US> July new home sales	US> July durable goods orders (P) MBA mortgage applications	Korea> The BoK monetary policy meeting US> Jackson Hole symposium (Aug 25-27) 2Q GDP New jobless claims	US> August Michigan Consumer Confidence (F) July personal consumption expenditures (PCE) price index
29	30	31		
US> August Dallas Fed manufacturing survey	US> August CB consumer confidence index	Korea> July mining and manufacturing production US> MBA mortgage applications Europe> August CPI (P) China> August manufacturing PMI Japan> July mining and manufacturing production (P)		

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement