



Indonesian Poultry industry towards 2025

Long term perspective on the Indonesian poultry value chain



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Indonesian poultry market outlook

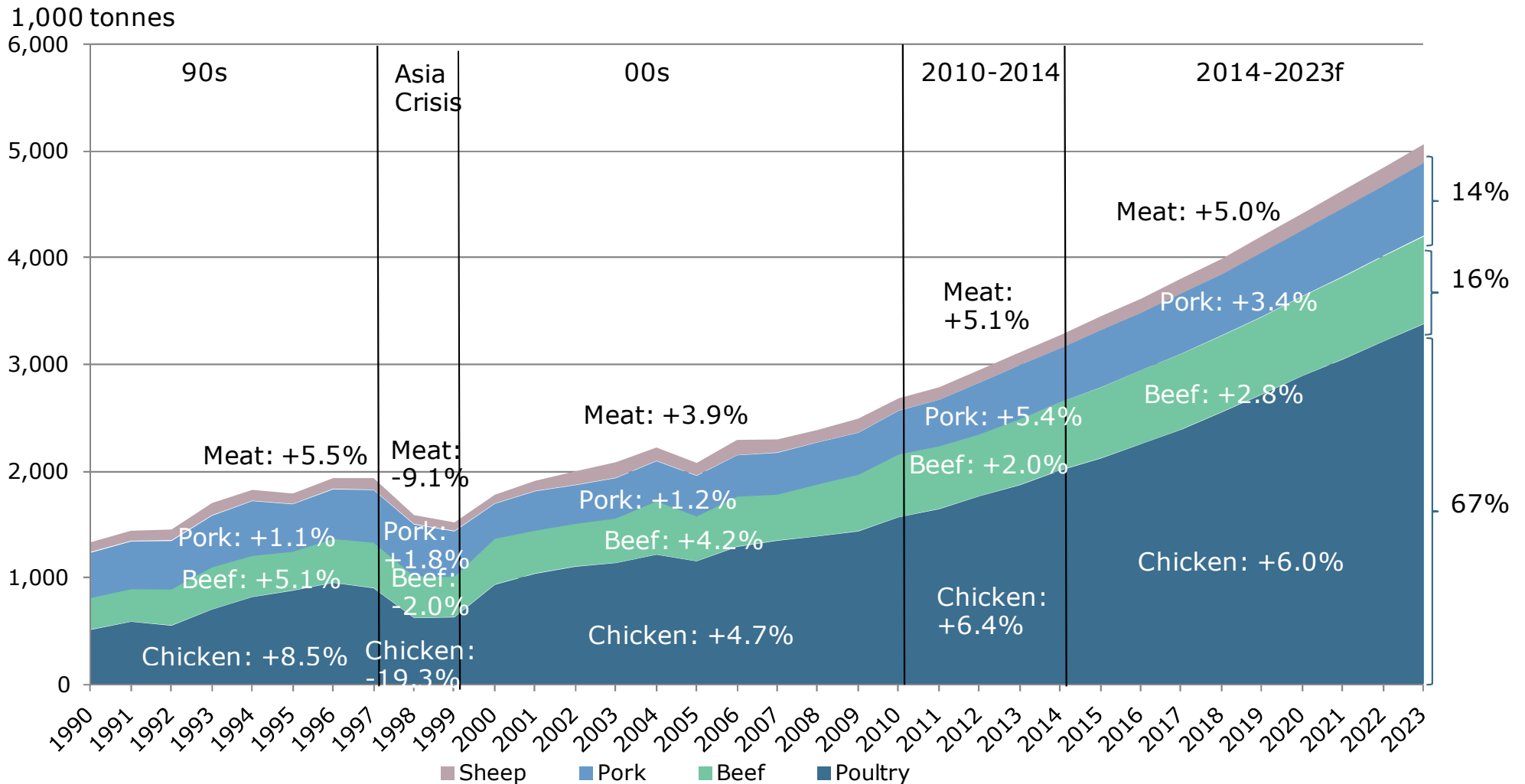


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Indonesian meat market: Poultry the protein of choice and the fastest growing market, but growth is slowing down

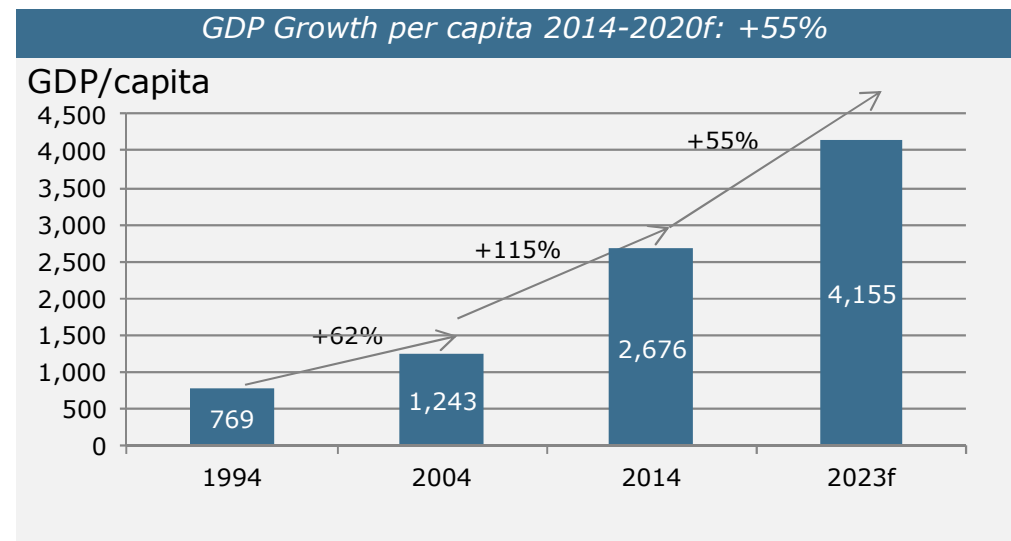
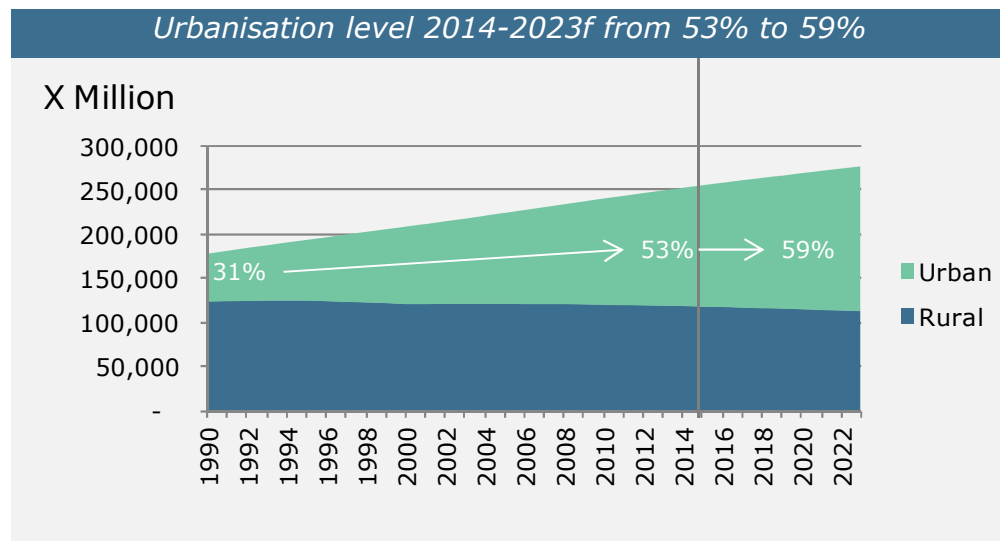
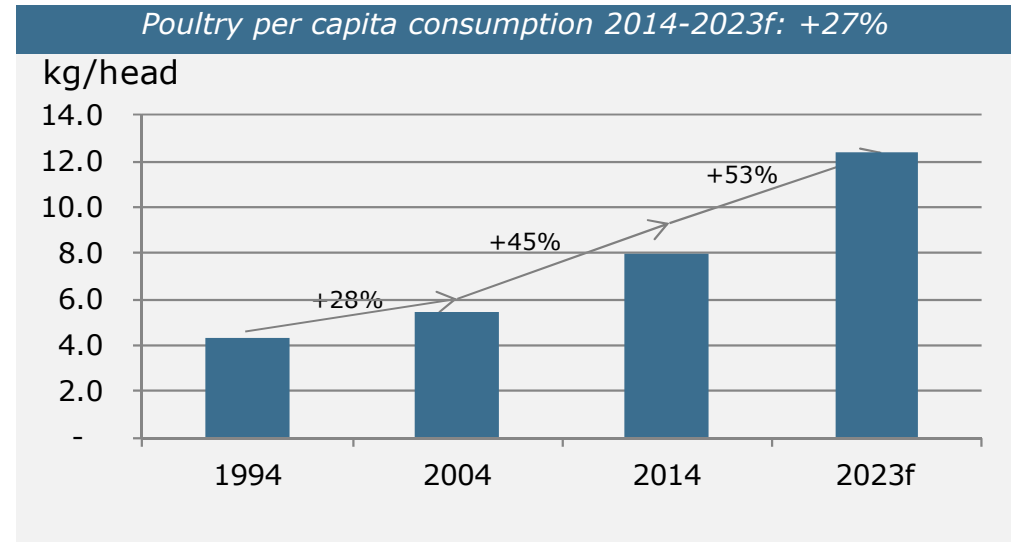
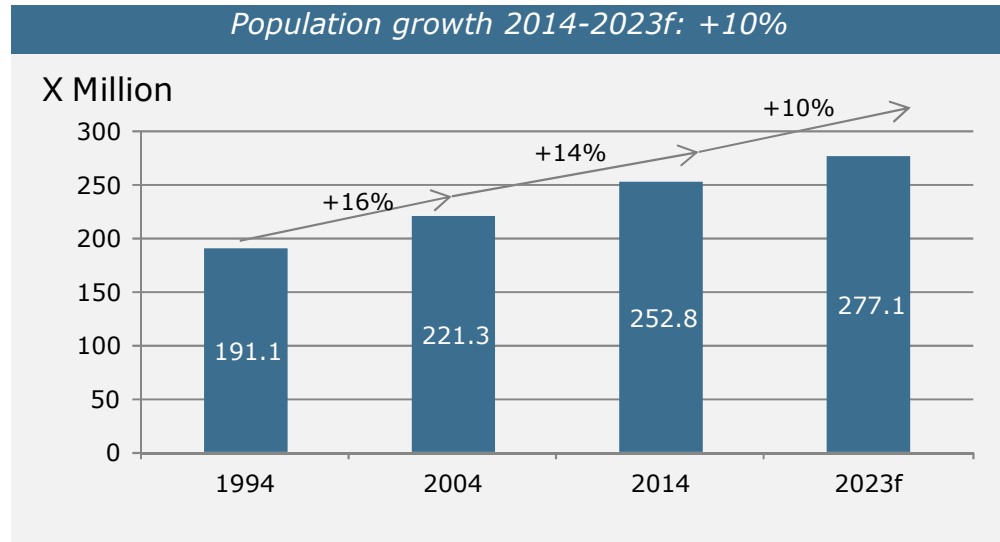


The Indonesian meat market: ongoing growth, but slower as in the past



Source: Rabobank projections based on FAO, GIRA, local statistics

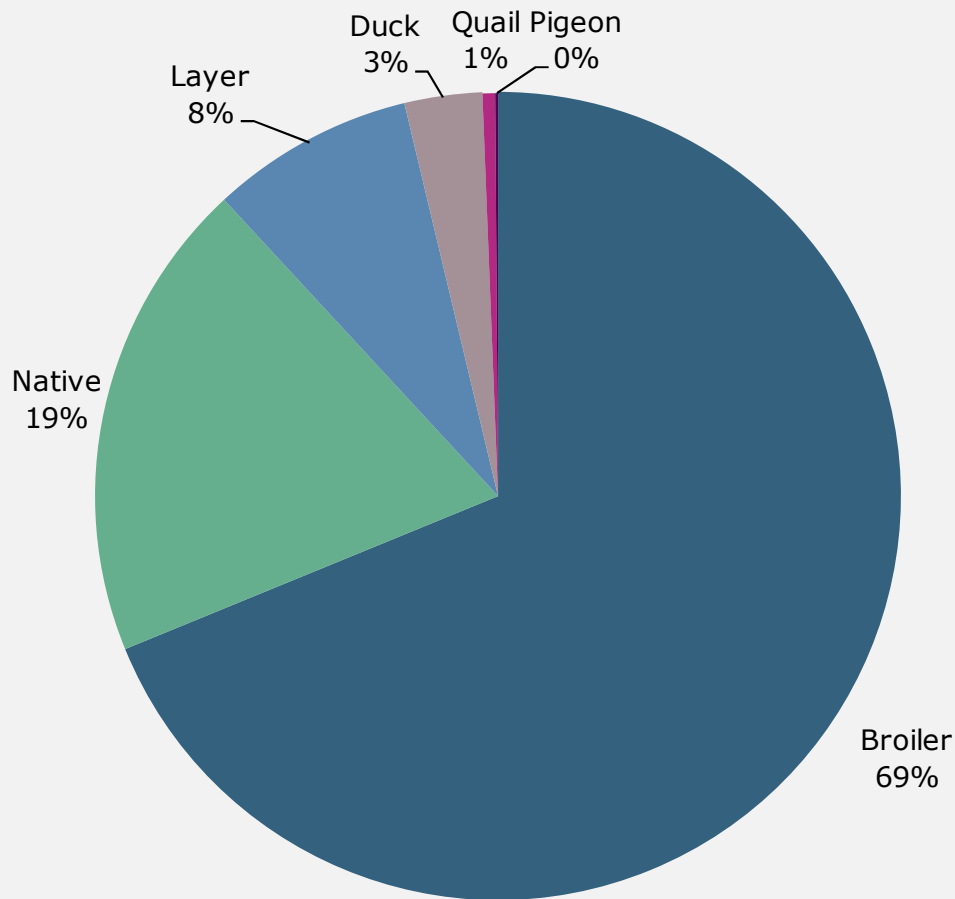
Key drivers for market growth in the poultry industry



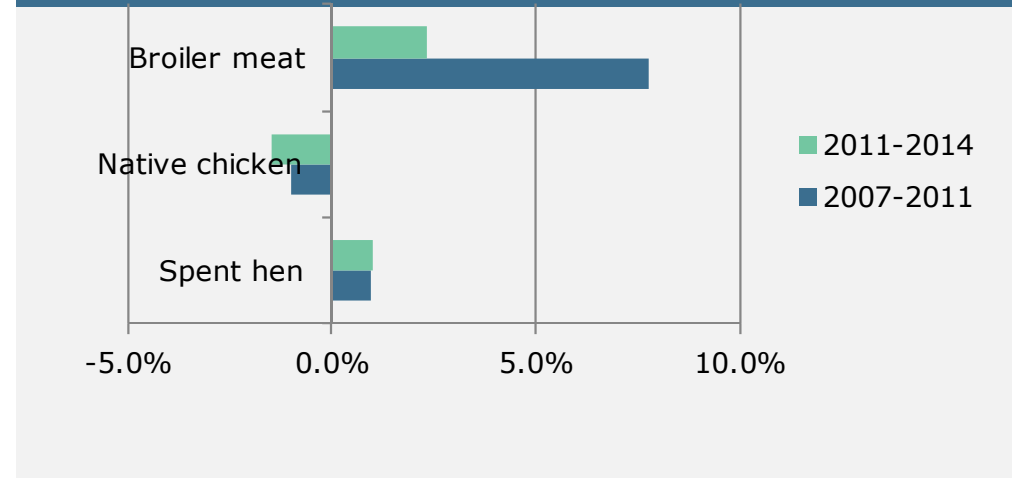
Urbanisation and modern distribution drives growth for chicken in the Indonesian market



Market: Chicken is main product, but large native chicken market



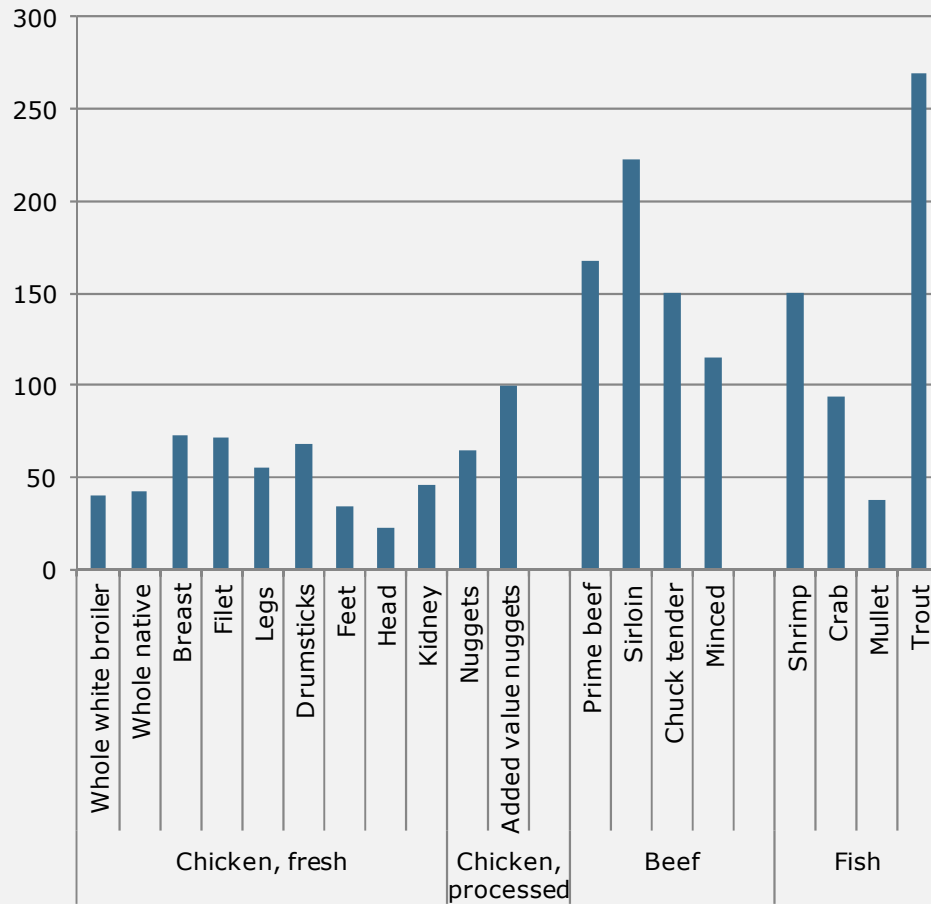
Consumer preference shift to broiler meat



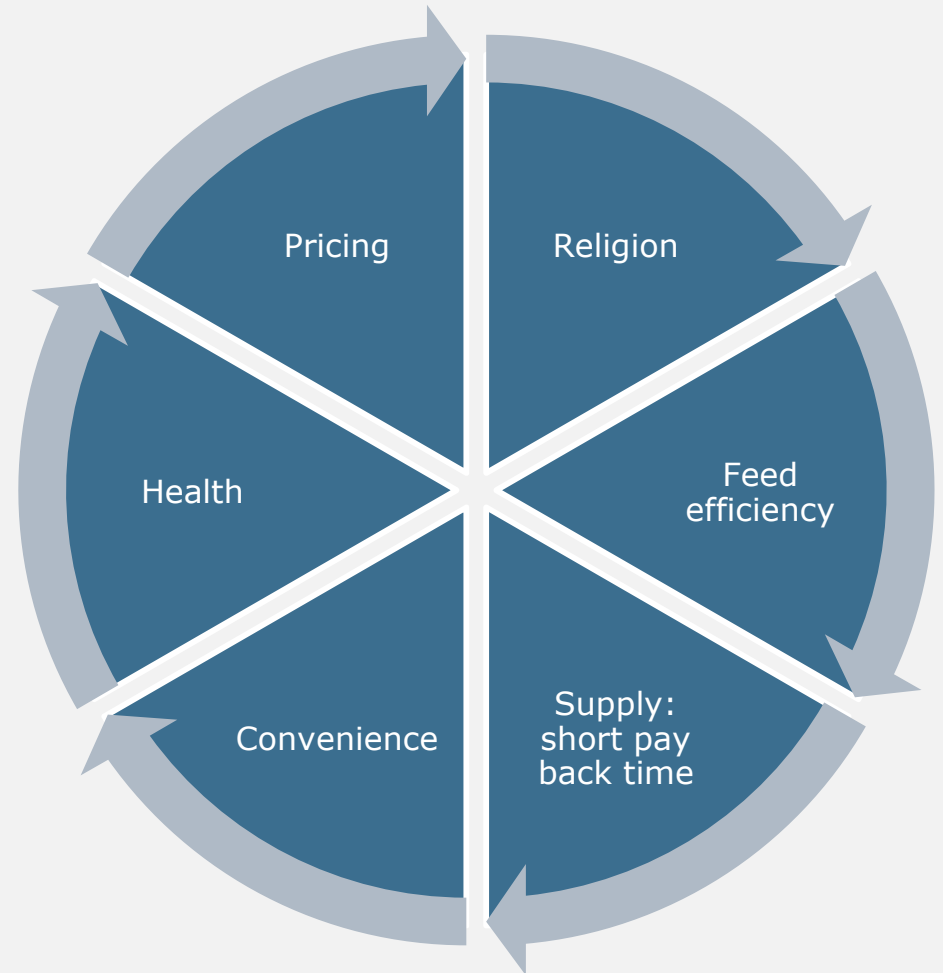
Poultry's competitive position in the Indonesian market

Poultry meat: the cheapest animal protein

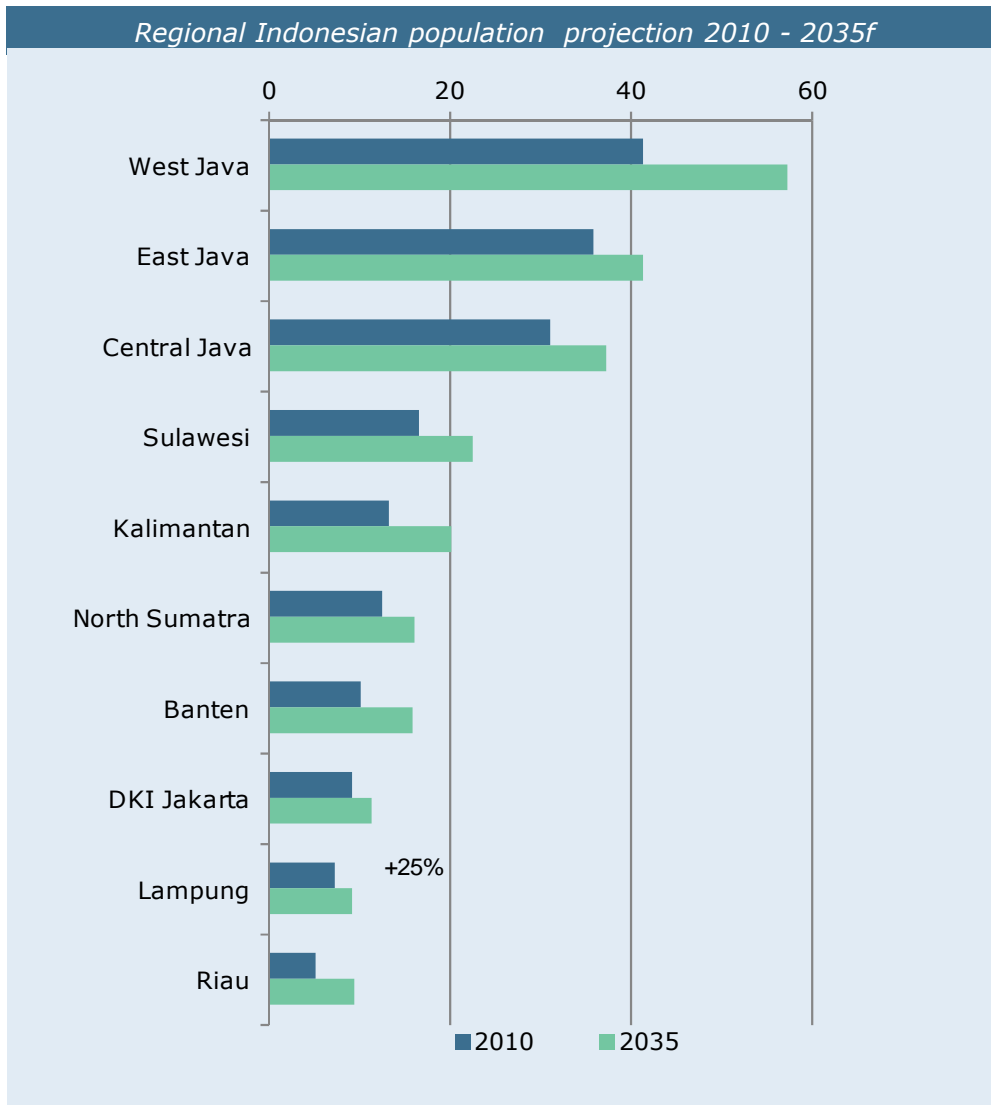
Retail price
June 2015, 1,000 INR/kg



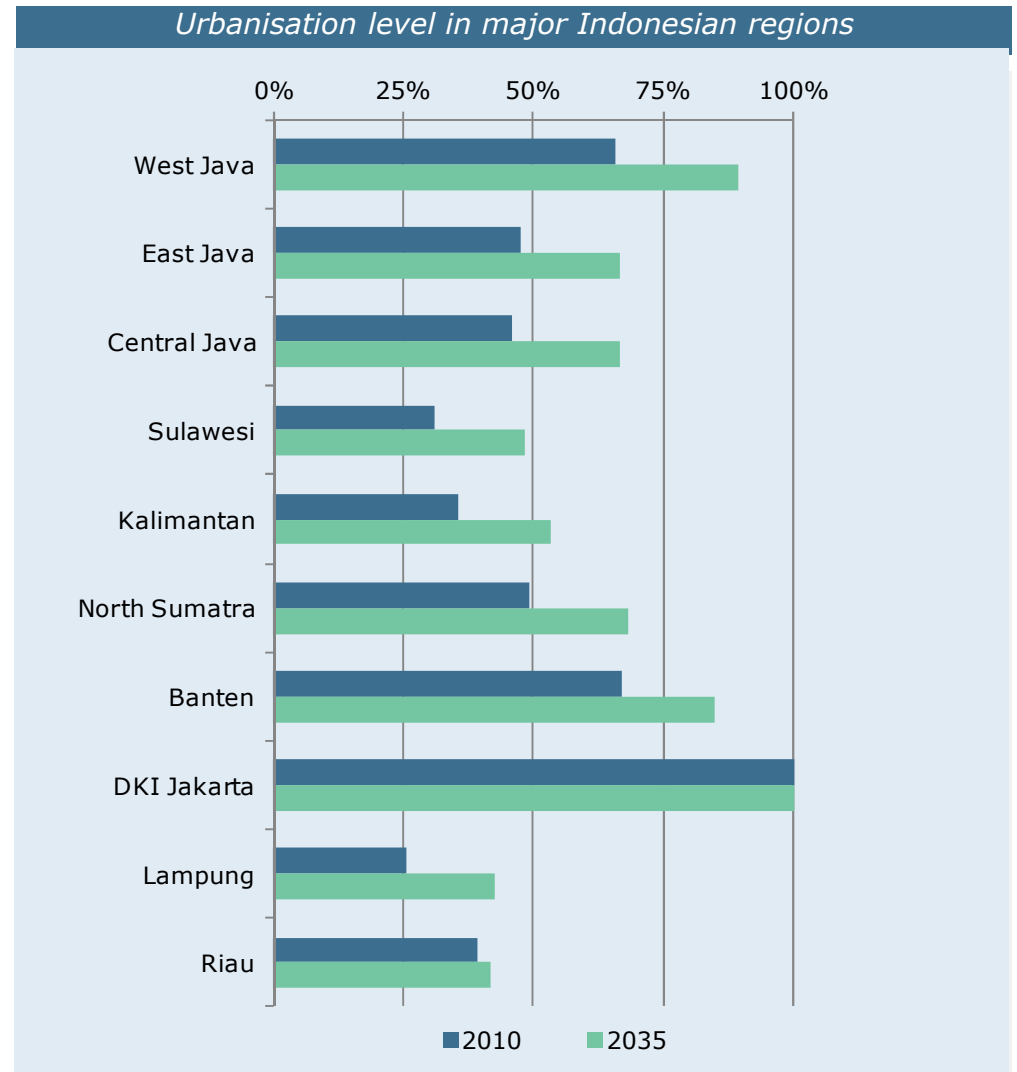
Key drivers for poultry market growth



Demographic changes indicate fast growth in West Java, Kalimantan, and Banten, while Jakarta's and Central and East Java's importance will fall



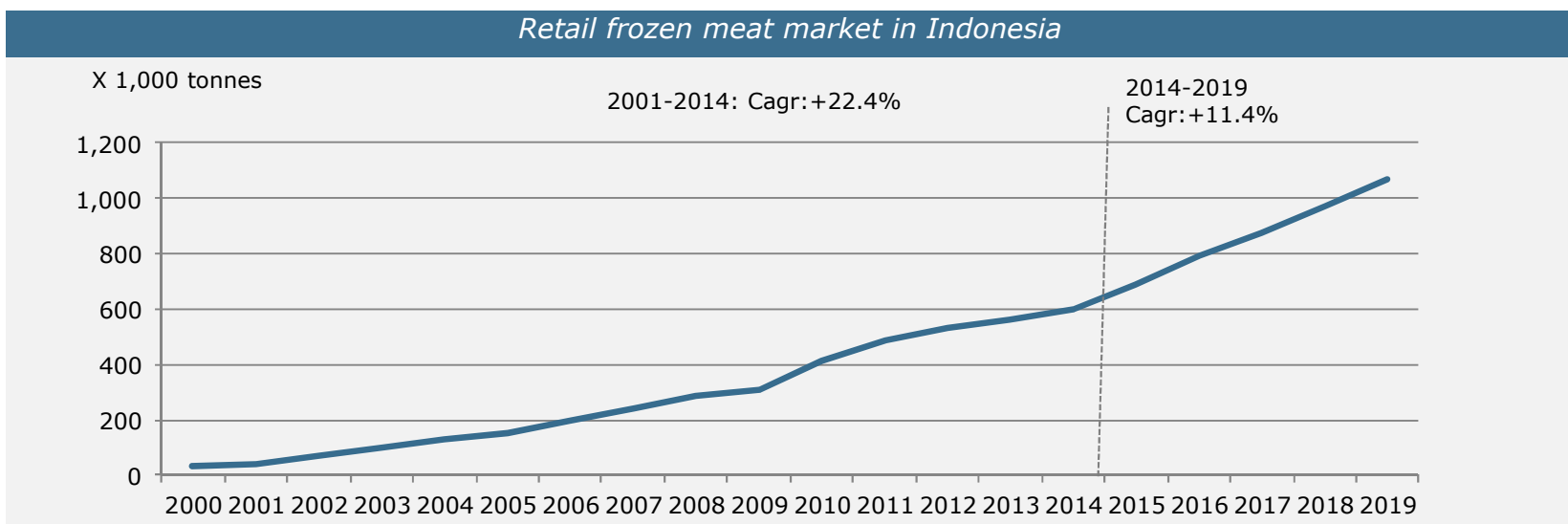
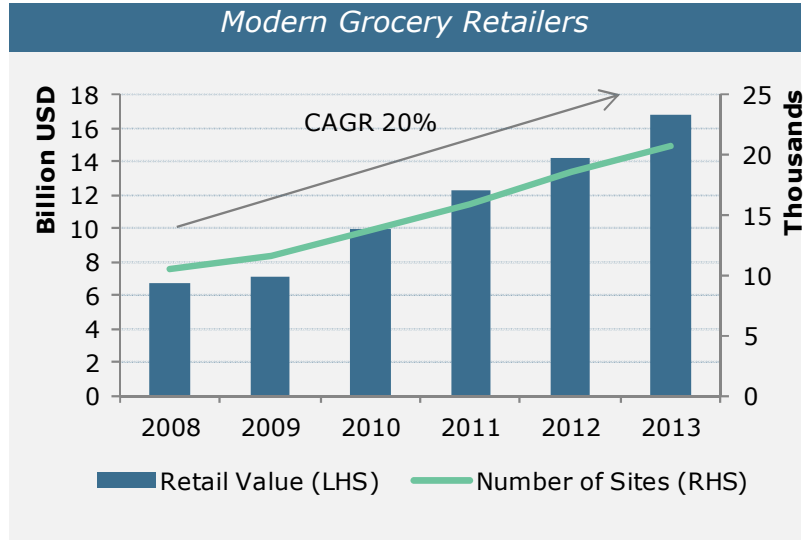
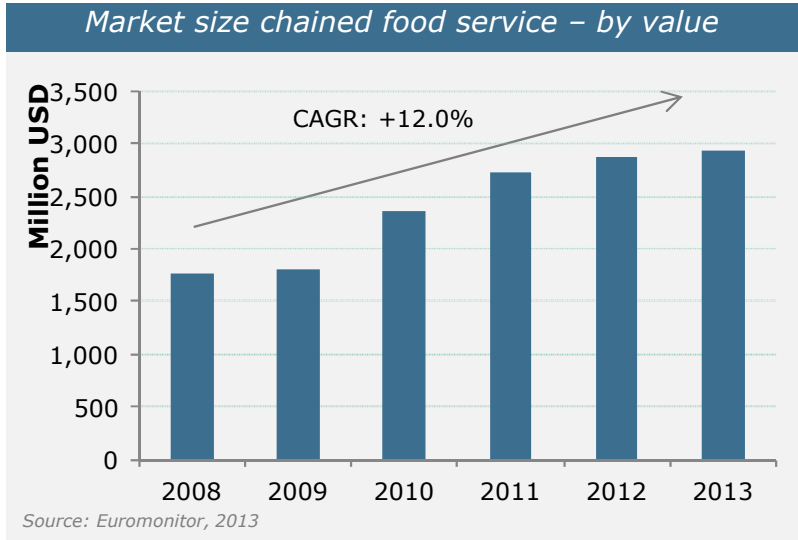
Indonesia: 2010 - 2035: +35%



Fast growth in value added meat: chained food service, retailers and further processed poultry



1. Indonesia grocery growing at CAGR 10% over the past five years, with traditional grocery retailers 85% of the market share.
2. Modern grocery retail value is USD 16.8 billion with 20,644 outlets in 2013. The modern grocery retail value is growing at 19% rate, outpacing the overall grocery growth rate.
3. Top two dominating modern grocery companies are Indomarco Prisma and Sumber Alfaria Trijaya, both with growth rates of more than 20%

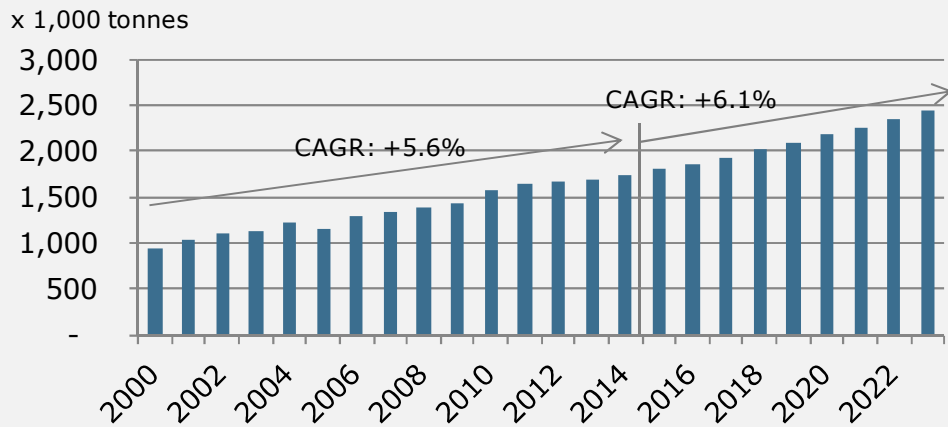


Sources: Source: Rabobank analysis based on Euromonitor

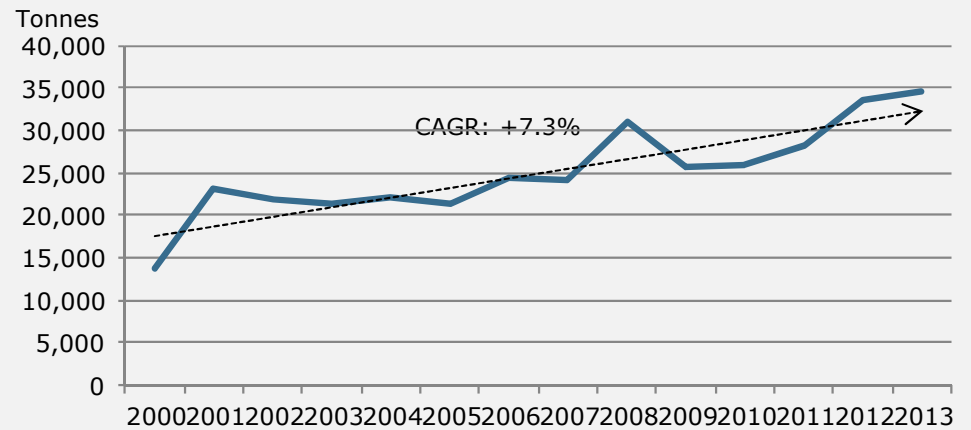
Solid growth in self sufficient Indonesian broiler market, beef, the most competitive meat, is highly important dependent



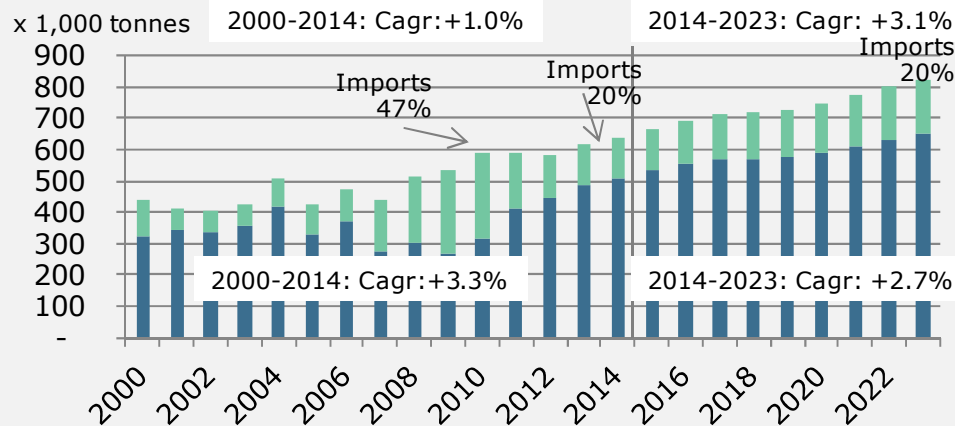
Indonesia chicken production: Fully self sufficient, 3.8% growth



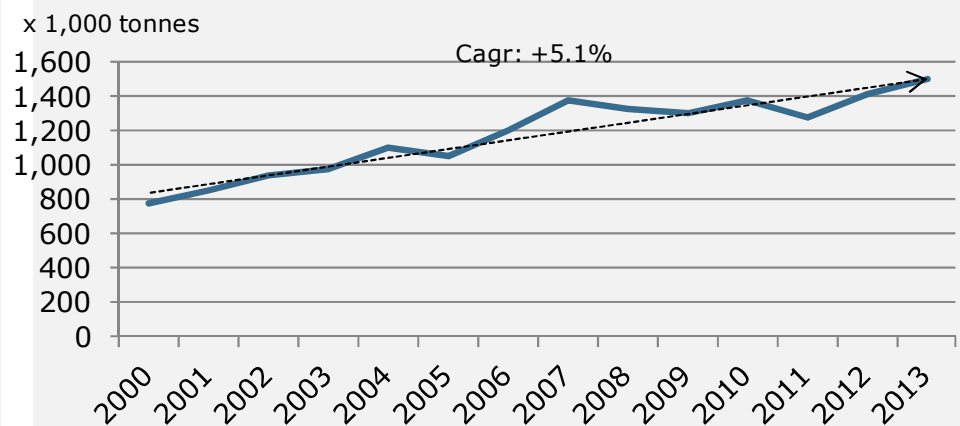
Indonesia: Duck meat, a volatile but fast growing market



Competitive meat: Beef, high import dependence



Indonesia Egg production



2

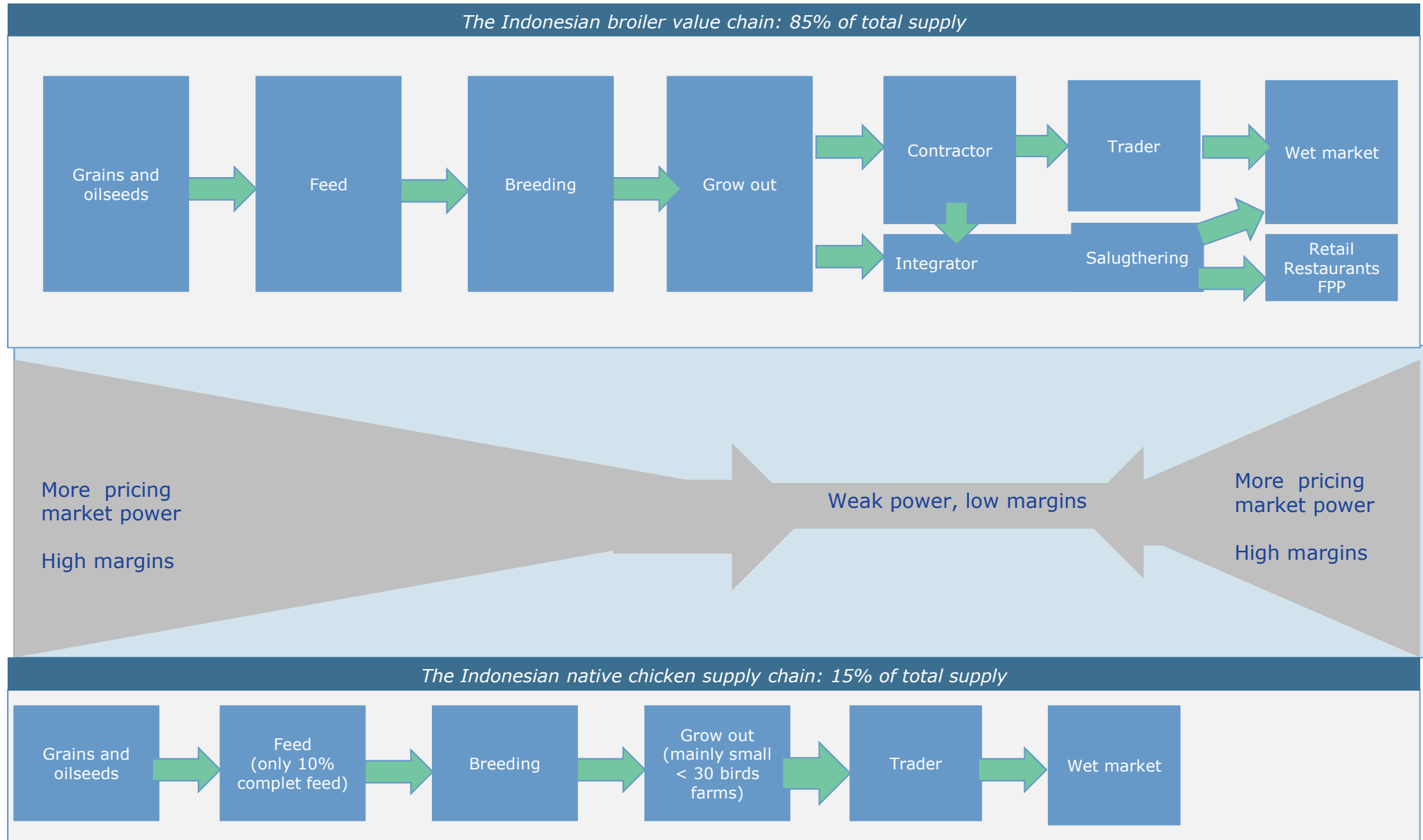
The Indonesian poultry value chain



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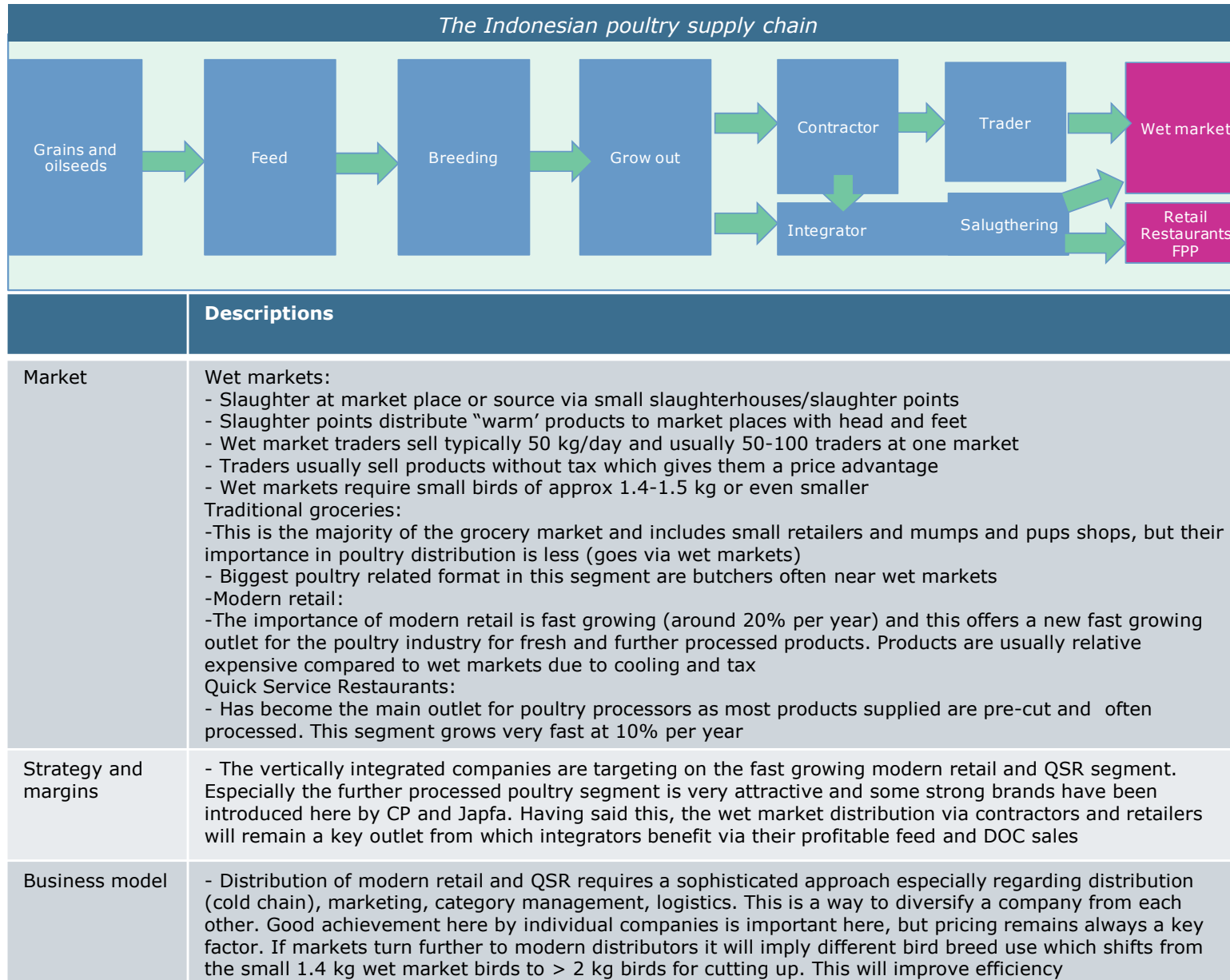
Indonesian poultry value chain:

Highest margins at begin and end of the value chain

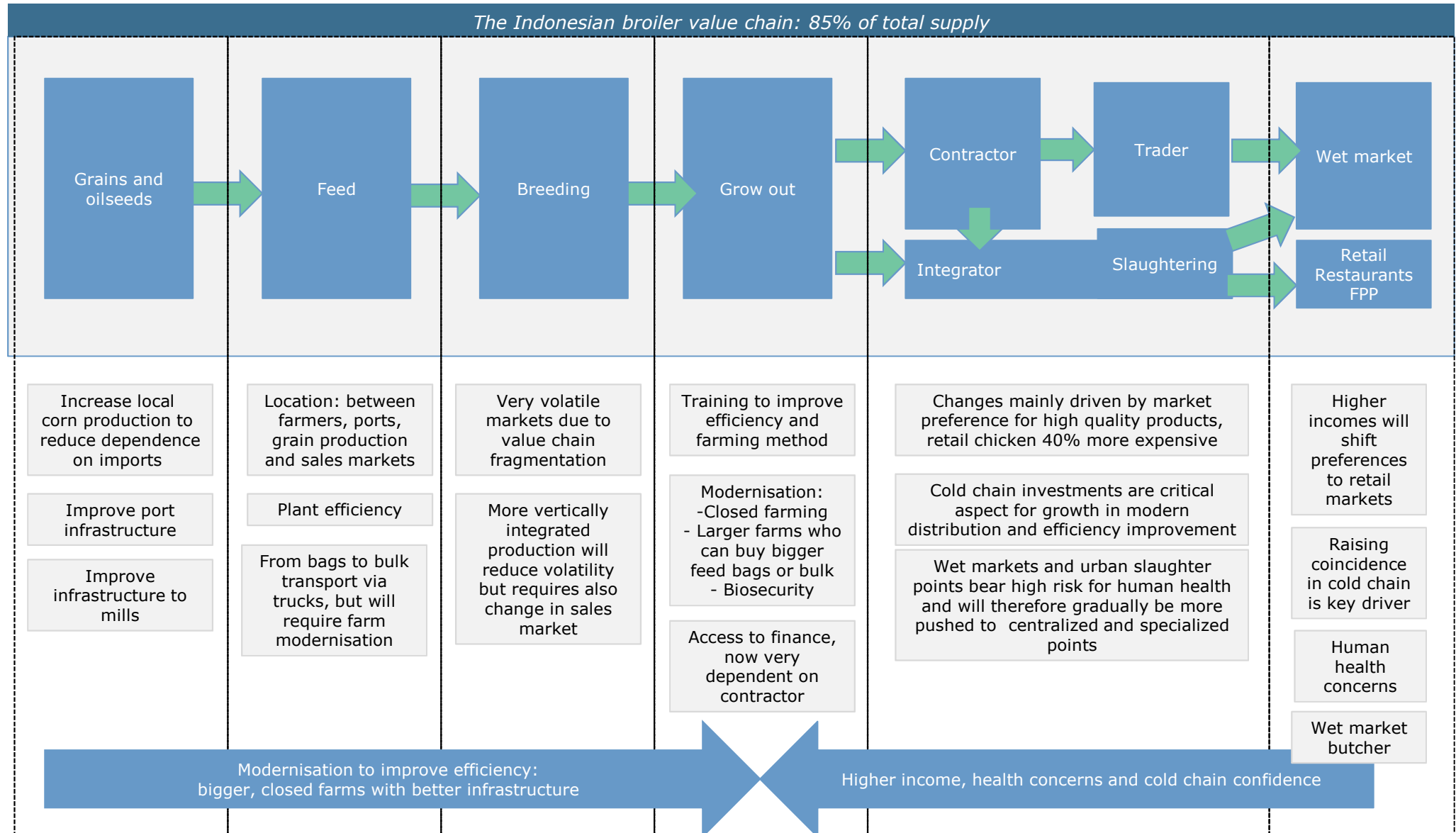


Source: Rabobank analysis, 2015

Distribution: Growing retail and QSR sales, but wet market remains key important



How to improve the Indonesian supply chain?



Source: Rabobank analysis, 2015

3

Outlook for market and poultry value chains in Indonesian

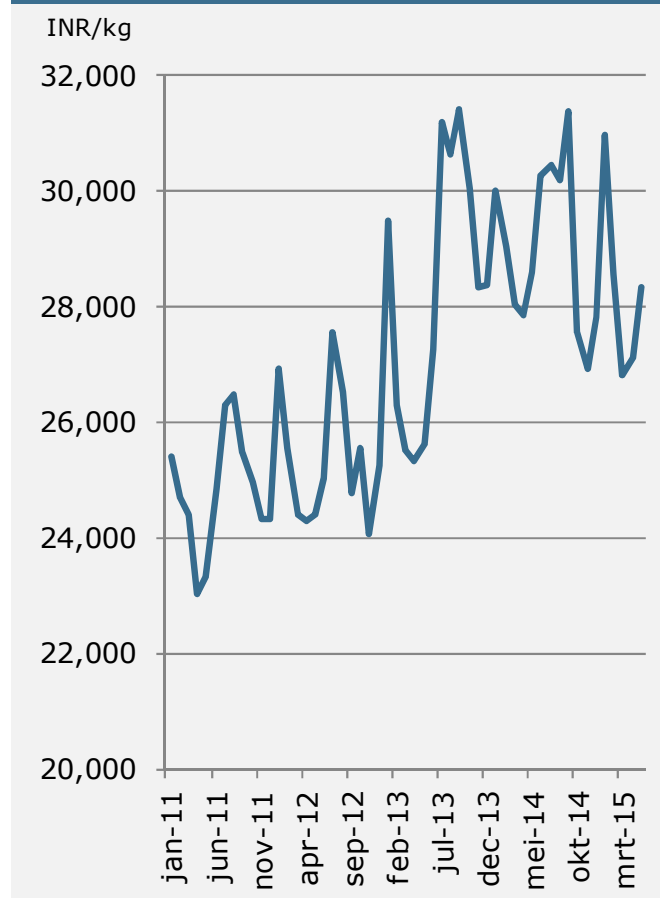


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The base position in the industry: Economic slowdown, oversupply DOC and weak INR with expensive imports



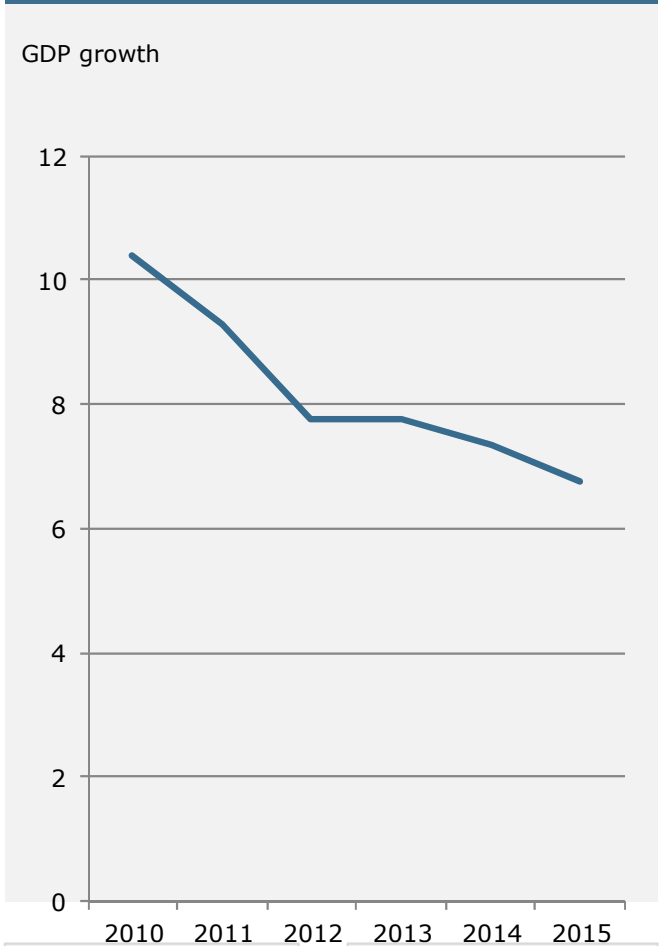
Lower prices and margins especially DOC



Overupply DOC

Postponed investments

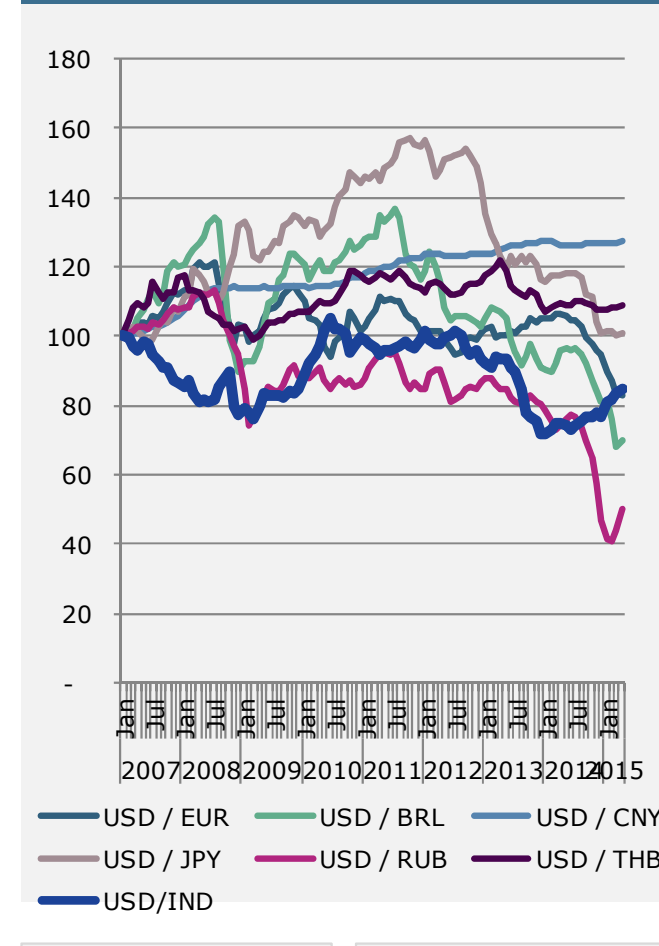
Weaker economic growth



Slowdown demand growth

Trading down

Exchange rates development against USD



More expensive imports corn and soymeal

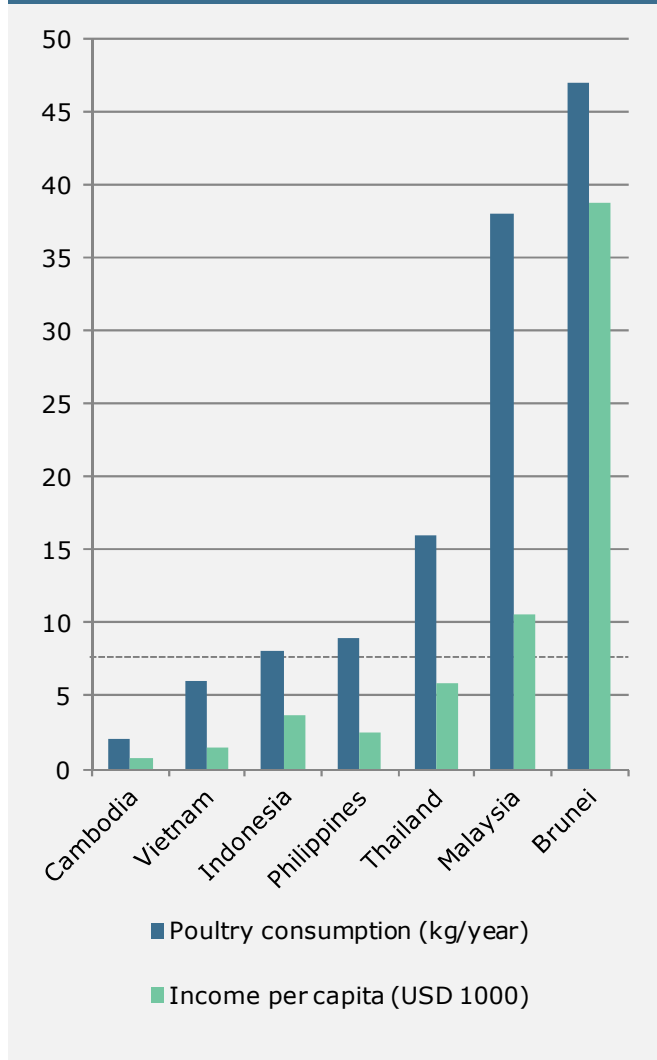
More expensive imports GPS

Source: Rabobank analysis, 2015

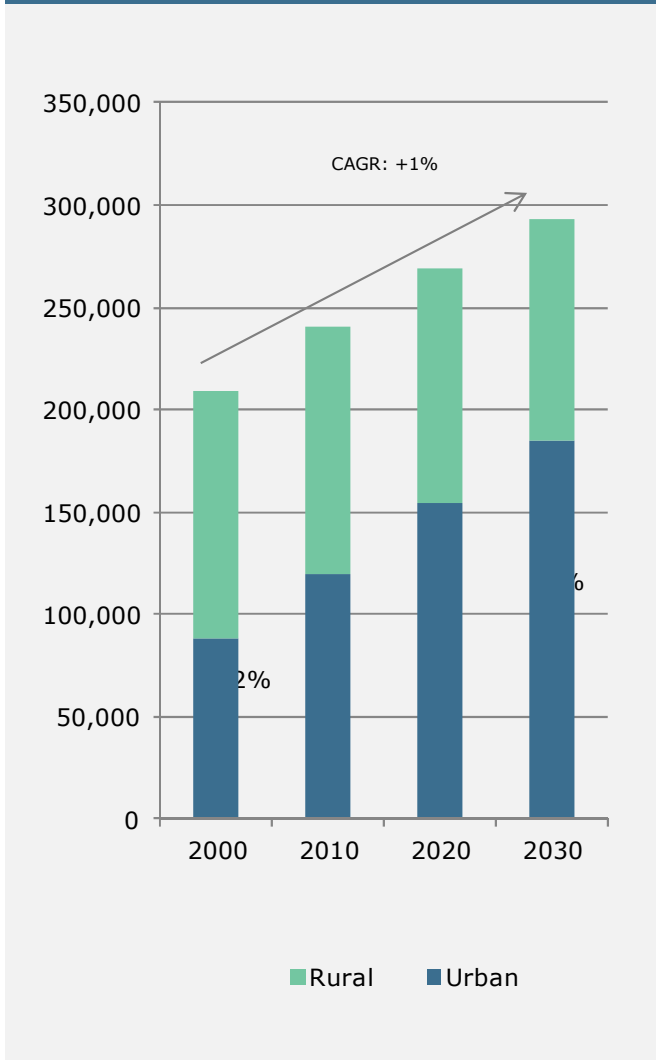
The long term drivers still exist and will drive further growth in Indonesian poultry industry



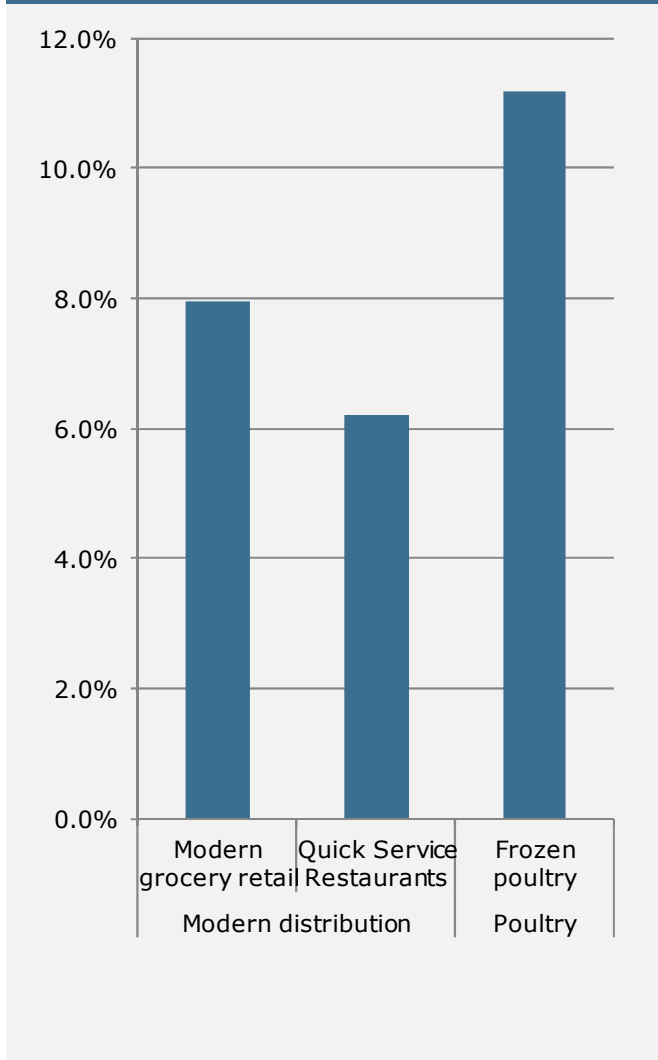
Indonesia's low per capita consumption



Indonesia population growth

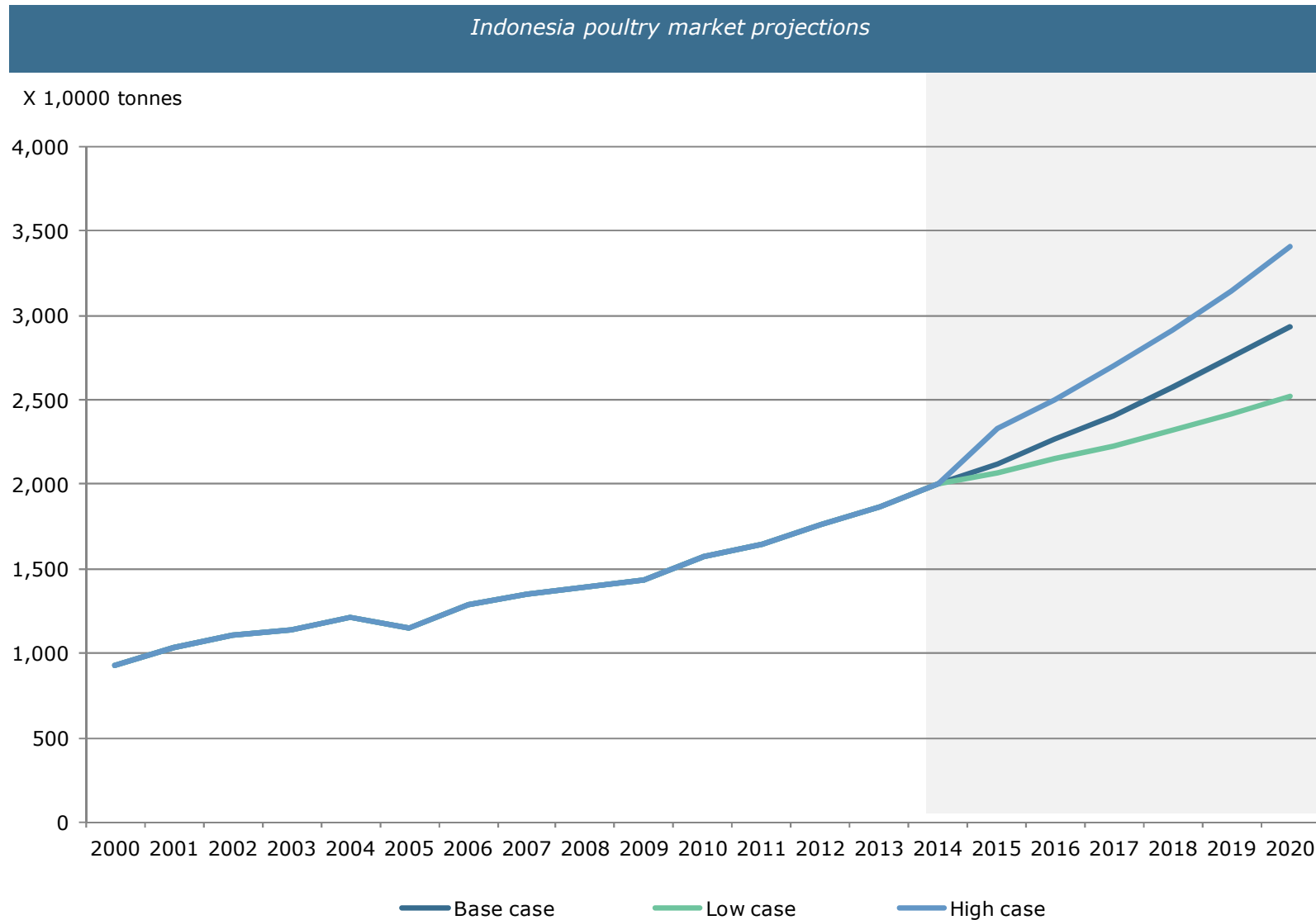


Retail and QSR growth



Source: Rabobank analysis, 2015

Rabobank poultry market projections for Indonesia



Poultry market projections

High case: CAGR: +9.2%

Base case: CAGR: +6.5%

Low case: CAGR: +3.9%

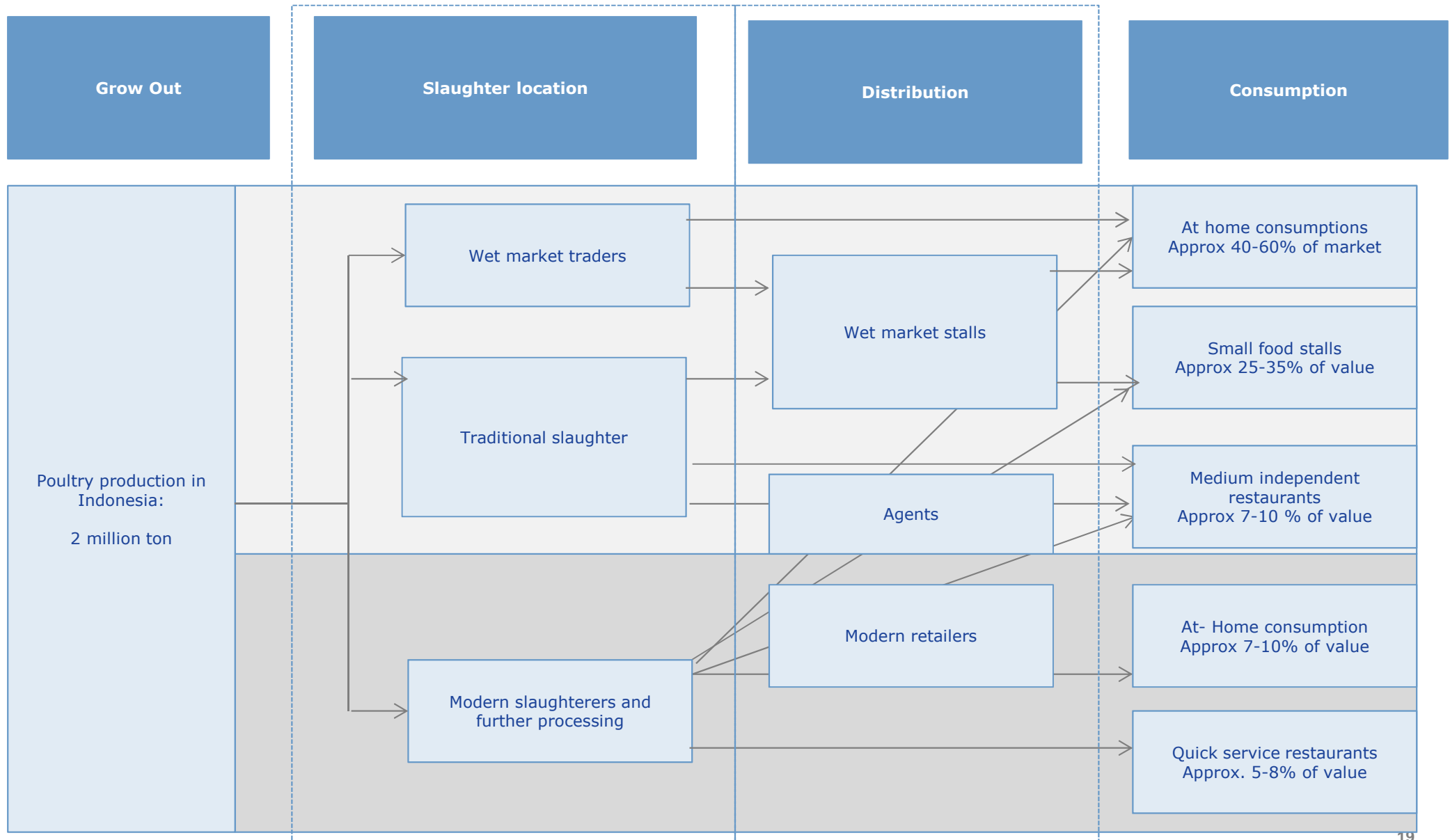
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Key drivers for change:

- Income growth
- Rise of the middle class
- Supply expansion
- Government support
- Government policy wet markets
- Trade liberalisation
- Cost of production: feed prices

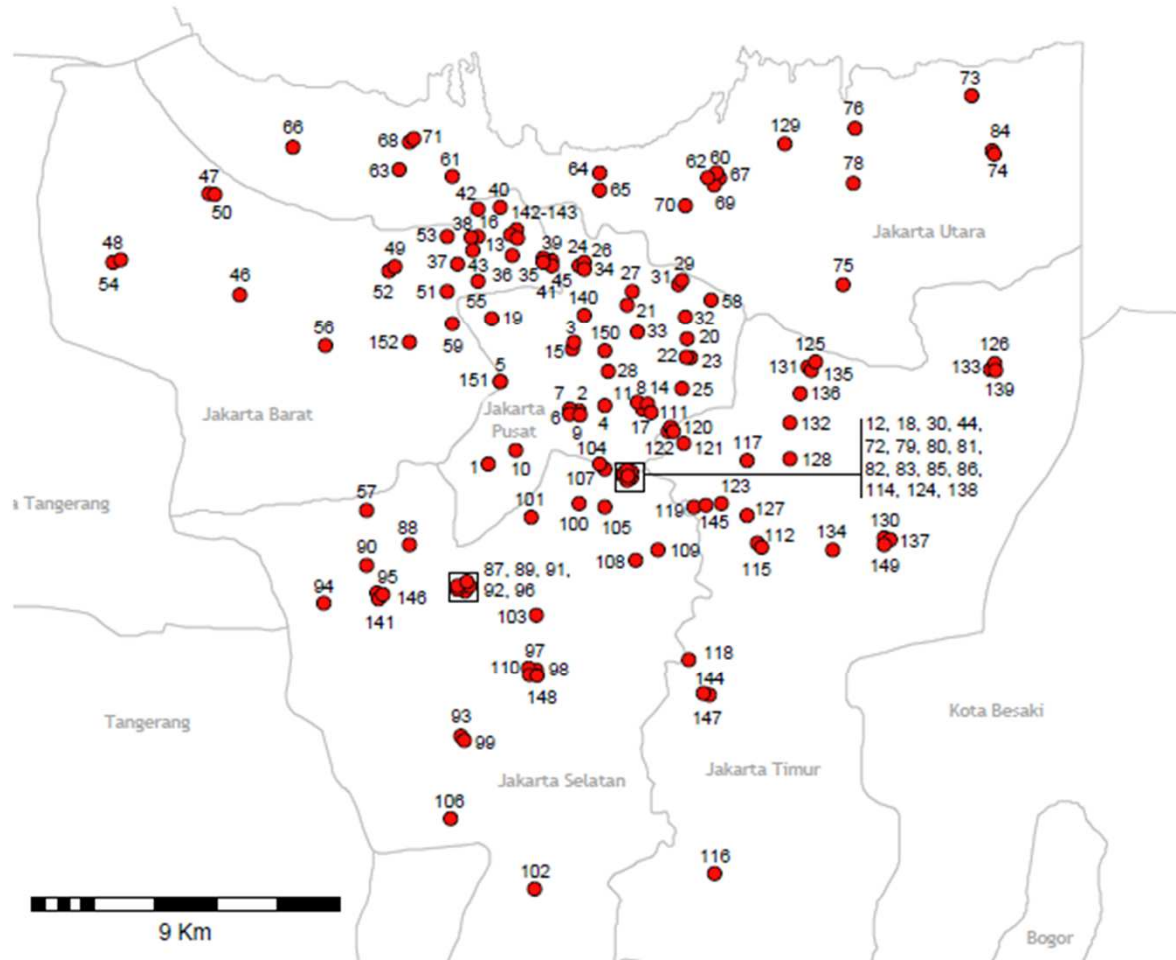
Source: Rabobank based on GIRA, FAO, National Breeders Association, Industry sources

Distribution of poultry in Indonesia: highly fragmented

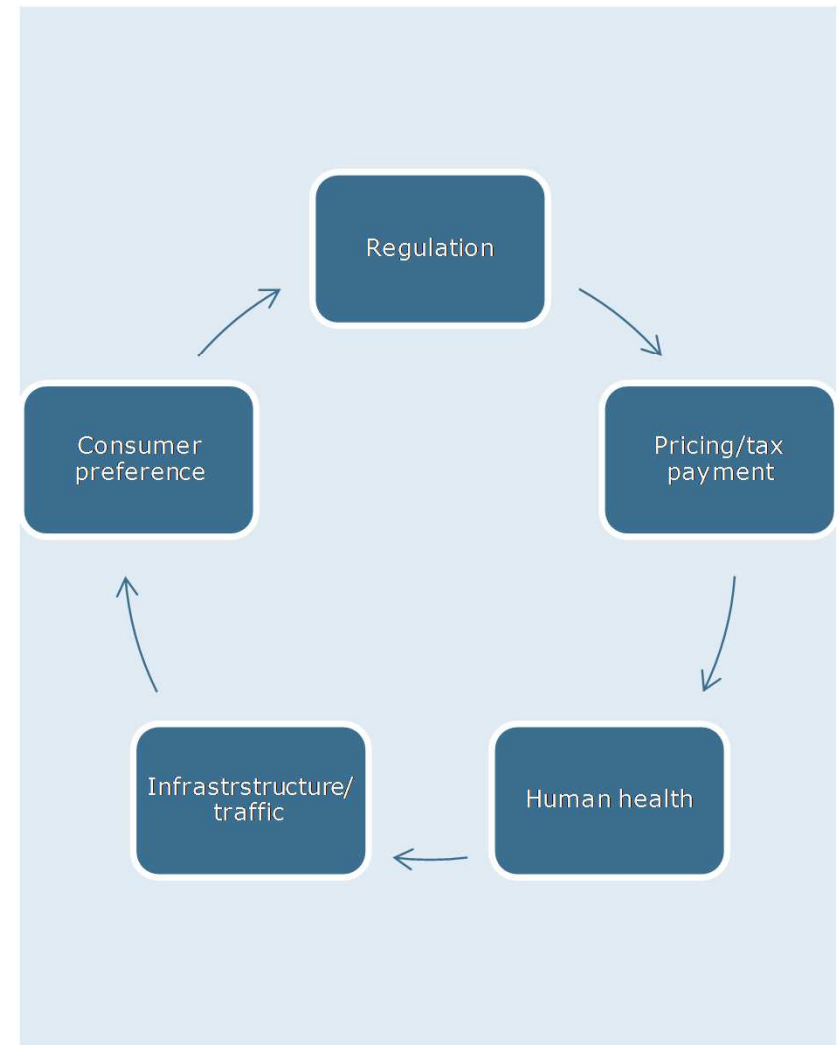


Distribution of wet markets in the Jakarta region requires a fine mazing distribution channels

Jakarta region wet market: 153 wet markets, 1 every 2-3 km



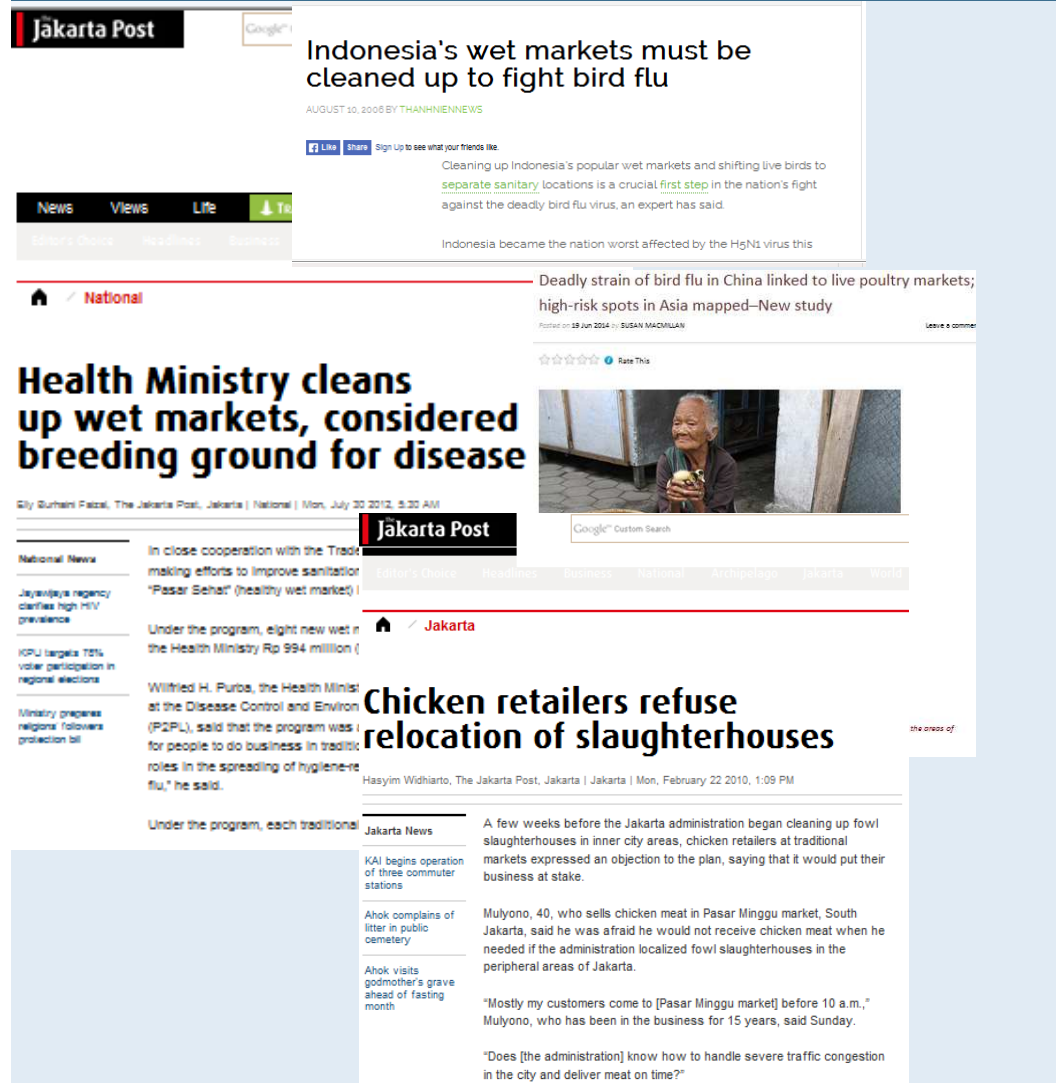
Drivers for wet markets



Source: Rabobank analysis, Jakarta Government, 2015

Government is concerned about live bird trade in cities to slaughter points and wet markets

Government fight to reduce human health risk at wet market



Indonesia's wet markets must be cleaned up to fight bird flu
AUGUST 10, 2009 BY THANHNIEU NEWS

Cleaning up Indonesia's popular wet markets and shifting live birds to separate sanitary locations is a crucial first step in the nation's fight against the deadly bird flu virus, an expert has said.

Indonesia became the nation worst affected by the H5N1 virus this

Deadly strain of bird flu in China linked to live poultry markets; high-risk spots in Asia mapped—New study
Posted on 18 Jun 2014 by SUSAN MACMILLAN

Health Ministry cleans up wet markets, considered breeding ground for disease
Sily Qurhaini Fatah, The Jakarta Post, Jakarta | National | Mon, July 30 2012, 5:30 AM

Chicken retailers refuse relocation of slaughterhouses
Hasyim Widhiarto, The Jakarta Post, Jakarta | Jakarta | Mon, February 22 2010, 1:09 PM

A few weeks before the Jakarta administration began cleaning up fowl slaughterhouses in inner city areas, chicken retailers at traditional markets expressed an objection to the plan, saying that it would put their business at stake.

Mulyono, 40, who sells chicken meat in Pasar Minggu market, South Jakarta, said he was afraid he would not receive chicken meat when he needed if the administration localized fowl slaughterhouses in the peripheral areas of Jakarta.

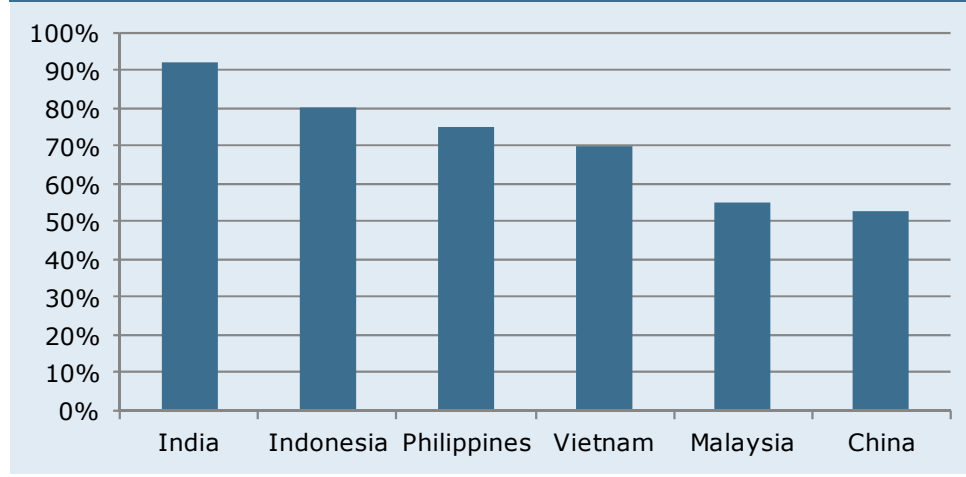
"Mostly my customers come to [Pasar Minggu market] before 10 a.m.," Mulyono, who has been in the business for 15 years, said Sunday.

"Does [the administration] know how to handle severe traffic congestion in the city and deliver meat on time?"

Consumer preference to remain strong for products from wet market



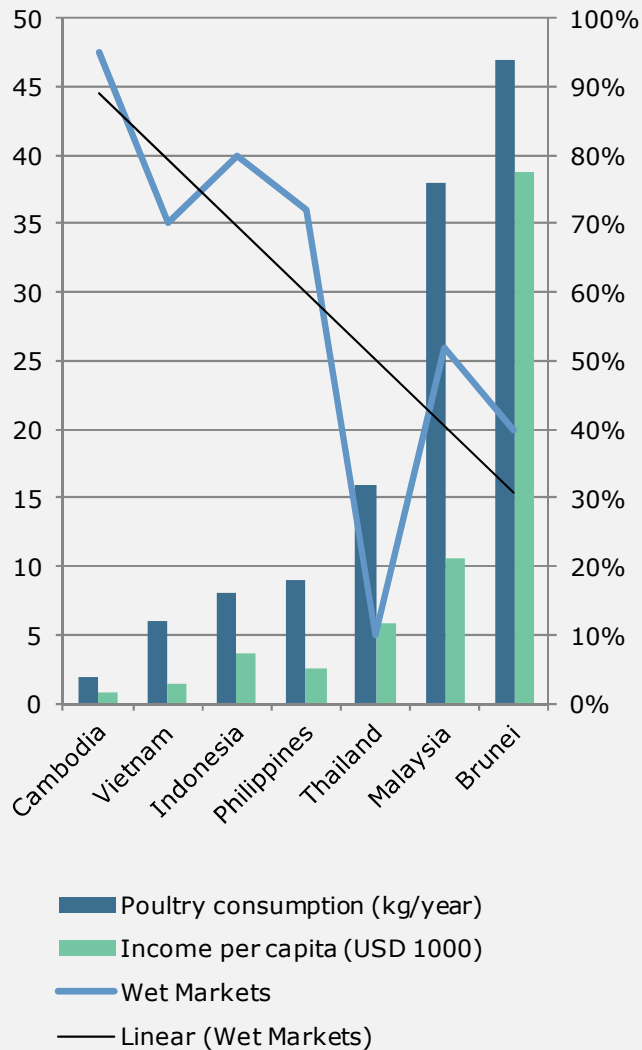
Wet markets in Asia: More than 50% in most emerging markets



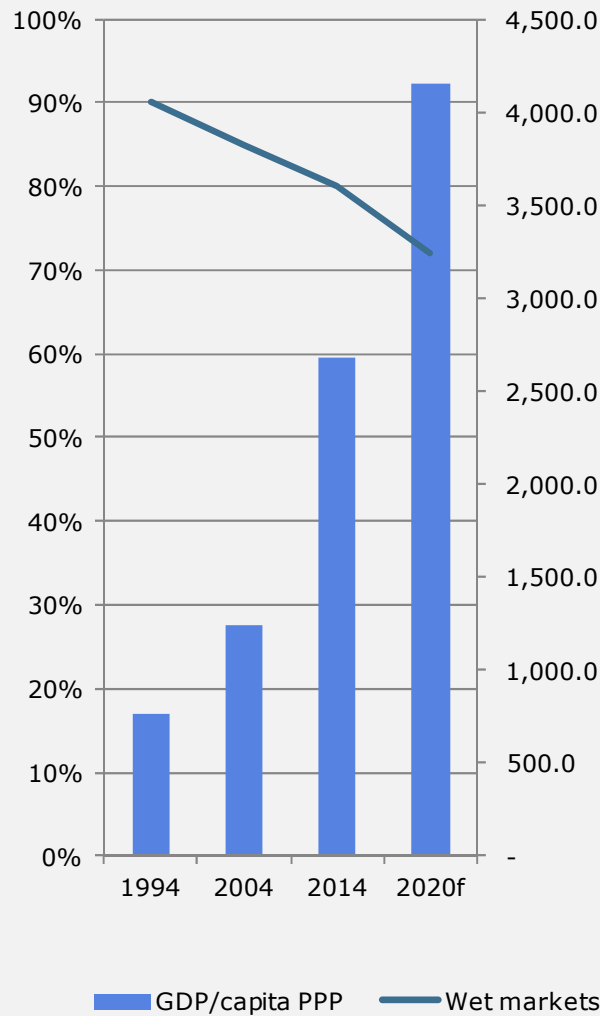
Source: Rabobank analysis, 2015

Scenarios for development of wet markets in Indonesia

Wet markets importance and income levels



Wet markets importance and income levels



Key observations:

- Share of Middle Class and higher class is increasing
- People in these higher classes shop less at Wet Markets
- Government aims to better organize wet markets with safe products from an human and animal welfare perspective
- Wet market traders are scaling up and invest in meat processing
- Key bottlenecks for wet market development:
 - + Weak confidence in cold chain
 - + Infrastructure and traffic
 - + Pricing advantages (no tax)
 - + Quality perception

Source: Rabobank analysis, 2015

Evolution of wet markets in international markets and role governments can play



New alternative distribution formats offer opportunities to increase health standard and are successful in other countries

Malaysia: NSK Trade City

- Located in higher middle class district
- Hybrid between Wet market and grocery retail
- Wide assortment of meat, poultry and seafood
- Non-airconditioning but with cooling facilities
- Linked to local night markets
- Can be considered as alternative for wet market with government support



India: Saguna poultry shop

- Franchise concept set up by Saguna Poultry company in India
- Now network of more than 60 branches mainly in Southern India
- Companies are supplied from the different processing facilities of Saguna
- All shops have full cooling facilities and are Halal standard
- Saguna offers an alternative in a 92% live bird market environment of India



China: DaChan Sale and Fresh Shop

- Franchise model with limited set up costs
- Central marketing is done via DaChan; one of the largest chicken companies in China
- Focused as safe poultry alternative for consumers at wet markets
- Profitable business for DaChan. Biggest advantage is lower cost by taking out trader commission, sales prices are similar as traditional wet market prices



Source: Rabobank analysis, 2015

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