

LOSING OUT TO GIANTS

Thousands of small poultry farms collapse due to plunging prices. Poultry giants deny culpability.

JENNY Soelistiani's chicken pens in Metro Regency, Lampung, sit empty. In past years, the eight rows of cages, built with bamboo floors and thatched roofs, would be crammed with 2,000 to 3,000 broiler chickens. Her Sumber Sari poultry farm has now closed down as a result of an unrelenting drop in prices.

The selling price of live chickens has plummeted to Rp14,000 per kilogram—Rp3,000 less than the break-even price of Rp17,000. The soaring cost of production stems from the skyrocketing price of chicken feed. Jenny, 49, can no longer sustain the losses that have not eased since 2014. After starting her business in 1993, she closed up in December. "We were in a squeeze and turning on losses," she told *Tempo* on Thursday two weeks ago.

The slump in live-chicken prices is the result of broiler meat from Charoen Pokphand Indonesia flooding traditional markets. Last year, Charoen's farms in Lampung produced five million broiler chickens. As supply began to surpass demand, the price of live chickens went into free fall. Small-time poultry sellers like Jenny simply could not compete.

Conditions in Lampung mirror the situation nationally. The Agriculture Ministry's Director of Breeding, Abu Bakar, said broiler production had now reached 49 million chickens a week, exceeding the national need of 42 million a week in 2014. "This year, there's likely to be another oversupply," he says.

Joko Susilo, a poultry farmer in Sentul, West Java, who is also a member of the National Poultry Farmers' Combined Organi-



Jenny Soelistiani's poultry farm at Ganjar Asri village, Lampung.

zations Advocacy Team, said he turned a profit in only two months over the whole of 2014. "Losses have continued this year."

Coordinating Minister for the Economy Sofyan Djalil has gotten wind of the collapse in live chicken prices. He said farmers with insufficient capital were more vulnerable because their capital had 'less staying power', but that large companies were also suffering losses. "Smaller farmers are profitable twice, but then suffer losses three times. That isn't healthy," he said last Thursday.

The big companies are Charoen Pokphand Indonesia and Japfa Comfeed Indonesia. Abu Bakar said the firms controlled 44 percent of the market. The farmers' association, meanwhile, said Charoen's market share was 49 percent. Japfa Comfeed commands around 22 percent of the market.

Abu Bakar said both companies were able to cover losses from sales of day-old-chicks (DOC) and poultry feed. "If they were smaller (companies) they would have already collapsed."

Charoen Pokphand Marketing Director Jemmy Wijaya rejected claims that the slump in live-chicken prices had resulted from his company's products flooding

the market. He said the 39 percent market share held by the firm was still reasonable and that claims of an oversupply and lack of demand was just a tactic for broiler distributors to obtain low prices from farmers. "That's their way of bargaining," he says.

Budiarto Soebijanto, Vice President Director of Multibreeder Adirama Indonesia, Japfa Comfeed Indonesia's breeding company, said his company's expansion was a normal, natural process. "The increase in our DOC broiler volumes is just 50 percent of what it once was," he claimed.



THE Agriculture Ministry knows full well the flood of losses now afflicting smaller farmers has been triggered by the oversupply of DOCs. But Director of Breeding Abu Bakar said the government was reluctant to force producers to cut back on production. "Later I could be accused of intervening in the market," he explained.

As a solution, Abu Bakar has facilitated the formation of an *ad hoc* team made up of representatives of breeding companies and the poultry farmers' association, which came into being in December 2014. Charoen Pokphand General Manager Chandra Gunawan was nominated as chairman.

The *ad hoc* team calculated broiler production in 2015 had reached 64 million chickens a week, or 3.3 billion a year. The volume exceeds the weekly demand, which now stands at 47 million. With the oversup-

ply, prices have naturally fallen.

The solution agreed upon was to cut back on the supply of broiler DOCs through culling, or slaughtering chickens. This cut-back should have pushed up the price of DOCs, and, in turn, the price of live chickens. The calculation proved flawed, however, as the price of live chickens remained low even as the price of DOCs rose.

Farmers suspect Charoen and Japfa were not diligent about cutting back on production.

"Cutting back on DOCs is no easy matter. There has to be a joint agreement," Chandra said, defending his firm's actions.

Sigit Prabowo, chairman of the National Association of Poultry Farmers, as well as an *ad hoc* team member, said because the DOC-culls had failed, adult broilers or parent stock (PS) numbers needed to be reduced. The team held a meeting at Abu Bakar's office in Ragunan, South Jakarta, on Friday, May 8 to discuss the matter. They agreed that eight million PS needed to be cut. The issue became: whose chickens would be killed?

Chandra said Charoen offered to cull four million of the firm's PS birds. But Japfa's representative, Agus Tono, said the offer was inadequate. By Japfa's calculations, Charoen needed to cull six million birds. Agus Tono's boss, Multibreeder Adirama Indonesia Deputy CEO Budiarto Soebijanto, said Japfa's proposal was based on each company's import-expansions of broiler grandparent stock (GPS). "Charoen must cull more because of a tenfold jump in its

GPS bird volume," said Budiarto.

Jemmy Wijaya rejected Japfa's proposal, arguing that the four million PS cull was already 50 percent of its supply of birds.

As tensions began to flare, Abu Bakar stopped the meeting, which had by then already gone on for three hours. The meeting was continued on Monday, May 11, at the same place. Abu Bakar requested then that a director-level officer of Japfa attend the meeting, and adjourned the meeting a second time. Three days later the meeting resumed. However, Agus Tono was once again present to represent Japfa. Disappointed, Abu Bakar expelled him from the meeting. "I told him to leave, as he had not been invited," Abu explained.

Budiarto said Agus Tono's expulsion was because he possessed data that showed Charoen was acting in bad faith. "If it was unacceptable, our data should have been corrected," Budiarto added. The meeting ended without an agreement, and to date no solution has been devised. "The *ad hoc* team is a vacuum," Abu Bakar added.

The result is that overproduction continues to menace small farmers, whose profits continue to plummet to unsustainable levels. Joko Susilo from the National Combined Organization of Chicken Farmers Advocacy Team said the government had so far failed to protect small poultry farmers from the domination of the poultry giants. "If this is allowed to continue, next year small-scale farmers will have vanished."

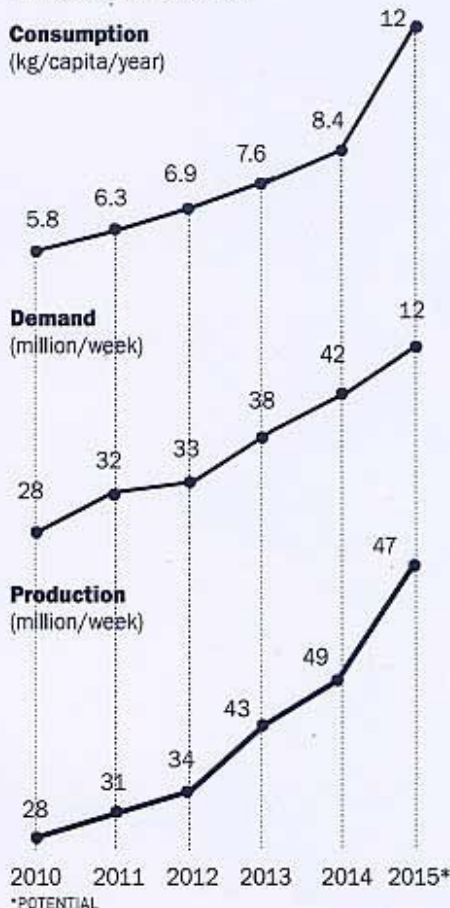
AKBAR TRI KURNIAWAN,
NURROCHMAN ARRAZIE (LAMPUNG)

TWO CULLING PROPOSALS

Company	Estimated Parent Stock Numbers	Proposed Parent Stock to be Culled	
		Charoen Pokphand Version	Japfa Comfeed Version
Charoen Pokphand Indonesia	17,734,356	4,044,524	6,779,525
Japfa Comfeed Indonesia	6,408,108	1,461,443	885,173
Bibit Indonesia	2,620,800	597,704	148,059
CheiJedang-Patriot Intan Abadi	1,782,000	406,406	68,452
Wonokoyo	1,149,120	262,070	28,464
Taat Indah Bersinar	1,008,720	230,050	21,934
Hybro Indonesia	936,000	213,466	18,885
Missouri	843,840	192,447	15,349
Cibadak Indah Sari Farm	840,924	191,782	15,243
Expravet Nasuba	625,680	142,694	8,439
Reza Perkasa	516,708	117,841	5,755
Satwa Borneo Jaya	432,000	98,523	4,023
Karya Indah Pertiwi	180,000	41,051	698
Total	35,078,256	8,000,000	8,000,000

OVER-PRODUCTION BIRTHS MONOPOLY

National Chicken Meat Consumption, Demand, and Production



BROILER ECONOMIC WORTH

Demand for broiler DOCs:

2.44
billion/year

Market value for chicken meat:

Rp109-117
million/year

Market value for live broilers:

Rp29-35
trillion/year

Note



= 1.6
kilograms of
chicken meat

SOURCES: MINISTRY OF AGRICULTURE,
CHAROEN POKPHAND, JAPFA COMFEED

DEPUTY CHIEF COMMISSIONER,
CHAROEN POKPHAND INDONESIA

TJIU THOMAS EFFENDY:

THERE ARE NO BAD INTENTIONS

THE Charoen Pokphand Indonesia company has denied it was monopolizing the market, following protests by poultry farmers. "We want to make a profit, but farmers must do the same," said Charoen Pokphand Indonesia Deputy Chief Commissioner, Tjiu Thomas Effendy, contacted by *Tempo* reporter Akbar Tri Kurniawan last week.

Charoen Pokphand is accused of excessively producing day-old-chicken (DOC) broilers, causing prices to plunge.

Our economic growth predictions slipped, causing people's purchasing power to weaken. As a result, all industries are experiencing over-capacity. Automatically, supply is higher than demand, causing prices to plunge. That's economic law. We also are losing money.

Charoen imported grandparent stock (GPS) chickens and expanding its DOC. Didn't that cause an oversupply?

Our intention is to learn from research and development. The DOC exporters are very tight, they are unlikely to provide us facilities, in order to gain advantage.

Wasn't Charoen allowed to import three kinds of GPS eggs?

We did get it, but so far we haven't received the agreement from the American GPS exporter.

The partnership model applied by Charoen Pokphand is regarded as killing small poultry farmers.

Those farmers are sacred to us, our backbone. Before, no farmers wanted to become plasma, but now many want to do it because it's profitable. The price of harvests are committed from the start. If market prices are low, the farmers still make profit. If market prices are high, farmers can share their profits. Our plasma farmers have produced millions of chicken.

Yet, Charoen share is seen as monopolistic.

We have no designs in killing independent poultry farmers. We are pioneers in the poultry industry since 1969. Because we want to profit, poultry farmers must also profit. If we had bad intentions, we wouldn't have become a big company. ●



ECONOMIC COORDINATING MINISTER
SOFYAN DJALIL:

BIG COMPANIES DOMINATE THE MARKET

THE government has detected indications of an unhealthy monopoly of the poultry trade by a number of big companies. The impact has been the dissolution of hundreds of poultry farmers. The government is now seeking a way to protect the farmers. "The competition is unbalanced," said Economics Coordinating Minister, Sofyan Djalil, contacted by telephone last week.

What's causing the wide distribution of broiler chickens?

The problem is the major importation of the great grandparent stock, allowed by the Agriculture Ministry. The change among its senior officials (the director-general for poultry and animal husbandry) was aimed at understanding the market structure better and how to manage unhealthy aspects of the poultry sector. Big companies are dominating the market and the competition has become unbalanced.

What needs to be resolved by the new director-general for poultry?

How to regulate the imports of grandparent stock (GPS), regulate partnerships with big companies and how to protect independent poultry farmers. To regulate big companies is very complicated.

Who are those big companies?

I have prepared a roadmap, including an anti-monopoly instrument, by allowing new players. The more players, the healthier the market.

Is the plan to reduce the GPS in companies owned by hatcheries a solution?

Approaching *Ramadhan* and *Lebaran* (*Idul Fitri*) holidays, we should not create policies which would lead to the price of chicken going up. After *Lebaran*, we must make firm policies. The public must be taught that frozen chickens are safer (to consume). If this can be accepted, the problem would be easier solved, because when prices are low, the products can be frozen. Independent farmers can also be taught efficiency so as to raise their profits. The task of the government is to protect them.

Why hasn't the Trade Minister's regulation to limit big company broiler chickens from entering the market been signed yet?

The draft is still in very raw form, it needs to be improved. In principle, there's price setting and market operations. But regulations don't always solve the problem. In fact, it can cause new distortions. This must be avoided. ●

