



Charoen Pokphand Foods Plc.

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CP Foods to invest Bt15 BN for expansion in 2013

The Nation, December 28, 2012

Charoen Pokphand Foods (CPF) has set aside an investment budget of Bt15 billion for 2013 and targets total sales of Bt400 billion, up 14 per cent from estimated total sales of Bt350 billion this year.

The company's CEO, Adirek Sripratak, said that 55 per cent of its total sales would come from investments overseas, about 36-37 per cent from the domestic market and 7-8 per cent from the export market. This is a part of its business plan to boost sales to Bt600 billion in 2015.

Of the company's investment plan for 2013, 60 per cent will be for expansion in 12 countries where the company is already invested in and 40 per cent will be for the domestic market. Most of its investment in 2013 will be on existing projects at home and abroad, he said.

"Currently, we have investments in all strategic countries, including the Asean Economic Community (AEC) countries, as a result we will not invest in a new country. We will spend the budget to develop our existing projects in 12 countries and in the domestic market," he said.

He added that in 2013, the company also plans to acquire two businesses for which negotiations are on. If the deals are concluded, the company's total sales will increase more than estimated. He declined to reveal the names of the business.

The company believes that its total sales will achieve Bt350 billion at the end of this year, up 66.67 per cent from its total sales of Bt210 billion in 2011. About 55 per cent of total sales will come from its investments in 12 countries in the world, and the next 37 per cent from the domestic, as the rest eight per cent from export market.

CP aims high in Vietnam

Bangkok Post , January 14, 2013

Raising profile of processed food brands the key to growth in a market where a growing middle class wants more quality.

CP Vietnam is gearing up to expand its business more with a focus on food processing from live animals, as it reaffirms its optimism about the Vietnamese economy despite the difficulties seen in 2012.



Five Star chicken kiosks have been well received in Vietnam and CP hopes to follow up by opening full-scale Chester's Grill restaurants.

"Vietnam will continue to be one of the biggest investment destinations for Charoen Pokphand Foods, particularly among Asean countries," said Sooksunt Jiumjaisawanglerg, chief executive of CP Vietnam (CPV).

"Our focus will be more on food processing and ready-to-eat food products in order to increase brand awareness as well as to complete full supply chain traceability to ensure food safety and manage reputational risks."

In recent years, the issue of food safety has never been far from the headlines, be it early mortality syndrome (EMS) in shrimp or blue ear disease in pigs, MrSooksunt said in an interview with Asia Focus in Dong Nai province, one of Vietnam's main manufacturing centres and agricultural hubs.

For this reason, he said, CP wanted to focus more on food processing to protect its brand and enhance product quality awareness. However, he acknowledged that it could take up to 10 years before ready-to-eat food products generate the same revenue as the animal feed and livestock businesses.

More than 90% of CP's business in Vietnam currently derives from animal feed, farming and aquaculture. The processed food business accounts for only 3% of CPV's total revenue.

Vietnam is a fast-growing market with population of about 90 million and by 2020 it is expected to reach 100 million. Given the rapid rise of the middle class and urbanisation, now is a perfect time for company to take the advantage of the opportunities presented, said MrSooksunt.

To build the processed food business, the company plans to expand sales and distribution approaches targeting both domestic customers and foreign leisure and business travellers. Its main distribution channels are CP Fresh Mart and CP Shop outlets that sell ready-to-eat and frozen food, and its Five Star grilled chicken street stalls.

The company currently has 55 CP Fresh Mart shops in Vietnam with a plan for at least 20% expansion per year, 530 CP Shop outlets and 110 Five Star kiosks.

"Our challenge is that we need to compete with a brand that has a very strong presence in this field, Vissan, which is the largest Vietnamese meat processing company," MrSooksunt explained. "It has been in the market for over 30 years. What CPV will do is focus on creating a more 'international taste' — a taste that everyone can eat."

In a few years, he said, the company expects to bring its Chester's Grill chicken restaurant chain to Vietnam, where it believes the products will do very well.

CP has two food processing plants in Vietnam, one in the north and one in the south. This year it plans to build one more plant in the south and one in the central region.

Last year CPV experienced low revenue growth of 8%, reflecting the global economic slump and consequent impact on Vietnam's economy and its consumers' purchasing power. The second half of 2012 was particularly difficult because of an oversupply of animal products and rising raw material prices.

Making the most effective use of its chicken output is a big challenge for CP.

"Unlike Vietnamese people, most western people prefer breast meat, which leaves massive amounts of other chicken products to be exported to Asia including Vietnam," explained MrSooksunt. "It's very important that we create public awareness and general understanding of where these products are derived from."

Chicken raisers in Vietnam face losses because their costs are higher than the prices per kilogramme in the local market, while imported goods are being sold at 60% of domestic prices.

Moreover, the outbreak of blue-ear disease from infected pigs transported into the country has some consumers concerned about pork products, he said.

The shrimp industry, meanwhile, is trying to combat early mortality syndrome (EMS), which has caused large losses among shrimp farmers in Southeast Asia and elsewhere, with CP Vietnam no exception.

However, MrSooksunt still strongly believes that Vietnam's aquaculture industry holds a lot of potential. With 3,260 kilometres of coastline (Thailand has about 2,600 km) plus another 112 estuaries, its fishery resources are abundant and diversified. As well, the surrounding international waters are not overfished, which sets them apart from many other marine areas.

For chicken raisers in Vietnam, costs exceed what they receive in the market, but imported chicken products are sold for even less.

Research conducted in Vietnamese waters has identified about 130 fish species, 225 shrimp species and 600 seaweed species with high economic value.

"For the aquaculture business, CP Vietnam expects to grow by at least 18% per year," said MrSooksunt. "Most of the shrimp that we produce, 90%, will be exported to Japan given that our products could have achieved high sanitary requirements."

Established in 1993, CPV's integrated livestock and aquaculture business now span the entire food production chain. The company began by producing and distributing feed before diversifying into breeding livestock and aquatic animals, followed by processing of meat and packaged food products. The company now has more than 11,000 employees, 90% of them local people.

Although the rising cost of raw materials puts pressure on margins in the animal-farming business, MrSooksunt says it is a minor issue, especially in a country where 68% of its 90 million residents are under the age of 40. Over the next five years, Vietnam's expanding workforce is expected to drive consumer spending which would double the number of middle-class families to be as high as 14 million.

"I believe the worst has been passed in Vietnam. Foreign investors are starting to come back. Macroeconomic stability is starting to pick up as we can see that now many people are regaining their confidence in the country," he said. "Inflation is now under better control and political stability is always the government top's priority.

"CPV will continue to call Vietnam our second home, we have a very positive outlook in this country and believe 2013 will be better than last year."

CPP invests in Ready-to-Eat food business in China

The Board of Directors of CPF, convened on December 28, 2012, passed the resolution approving the acquisition of the entire investment in Chia Tai Food Enterprise (Qinhuangdao) CO., Ltd. (CT Qinhuangdao). The transaction was made through CP China Investment Limited ("CPCI") a direct wholly owned subsidiary of CP Pokphand Co., Ltd ("CPP").

CPCI will acquire the entire investment in Chia Tai Food Enterprise (Qinhuangdao) CO., Ltd ("CT Qinhuangdao") at the total consideration of USD 15,702,000 from CTFI.

Chia Tai Food Enterprise (Qinhuangdao) Co., Ltd ("CT Qinhuangdao") manufacturing and distributing of meat-processing, ready meal and ready to eat product with total registered capital of USD 98,202,000.

On January 24, 2013, the Board of Directors of CPF also approved to established Chia Tai Food Enterprise (Qingdao) Co., Ltd. The establishment was made through CP China Investment Limited ("CPCI") a direct wholly owned subsidiary of CP Pokphand Co., Ltd ("CPP"). Chia Tai Food Enterprise (Qingdao) Co., Ltd. manufacturing and distributing meat-processing, ready meal and ready-to-eat products with the register capital USD 85,700,000.

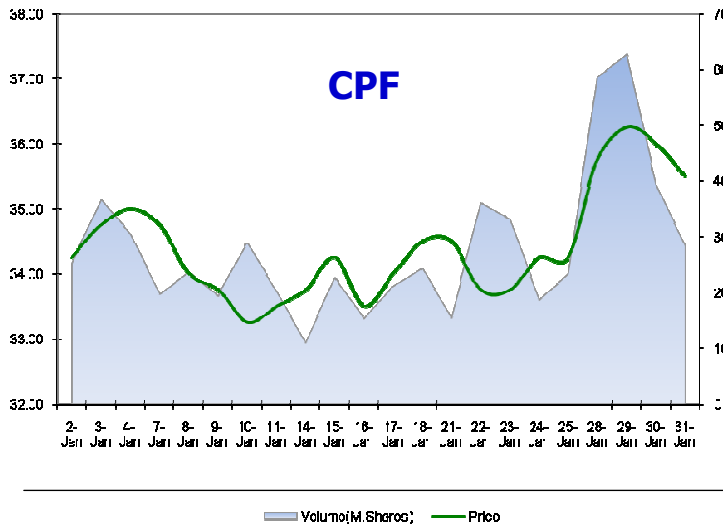
CPF introduce innovative ready-to-eat rice



Chatchawan Sripusitto (left), Senior Vice President for Business Development of Charoen Pokphand Foods Plc (CPF), presents the company's latest innovative ready-to-eat rice, focusing on brown rice and jasmine rice. CPF took more than one year for research and development to ensure good quality and taste to serve consumer's modern lifestyle. The product is easy to eat by warming one minute in microwave to enjoy real cooked rice.

Price Performances: CPF

Price (Baht) Volume (Mil. shares)



January 2013	
Highest Price	36.75
Lowest Price	33.25
Closed Price	35.50
Average Volume/Day (Shares)	27,800,000

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