



Charoen Pokphand Foods Plc.

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CPF slashes 5-year investment plan

Bangkok Post , June 27, 2013

Poor performance of foreign farms cited

Charoen Pokphand Foods Plc (CPF), the agribusiness giant, plans to slash its five-year investment budget by a third to US\$ 1.6 billion and pare back revenue targets, as its foreign farms are performing below expectations.

The move, which includes a renewed focus on cutting debt, represents a less aggressive stance by CPF, one of several major Thai firms that has bought up foreign assets in recent years, emboldened by record stock prices and armed with cheap loans. “We probably invested too quickly in the past,” Adirek Sripratak, the president and chief executive, said on Tuesday.

“ Now we have to scale down and don’t need to be that aggressive.” CPF, controlled by the billionaire Dhanin Chearavanont , will also cut its revenue growth target to an average of 10% over the next five years from its earlier goal of up to 15%.

The world ’s biggest shrimp farmer and a top maker of animal feed, CPF has expanded into China , Vietnam, India , the Philippines, Turkey and Russia. In particular, its loss-making chicken operations in Turkey have underperformed expectations.

“ The performance of our foreign operation is not in line with what we have expected. We should have made higher profits, but an increase in raw material prices and a downturn in the farm industry affected our operation,” said Mr. Adirek. Higher raw materials prices, lower meat prices and weakness in its foreign operations have resulted in slumping profits.

Recent acquisitions and other expansion in its business have pushed up the company’s net-debt-to-equity ratio to 1.2 times , and it now plans to cut debt by selling off some non-core assets and unused plots of land, said Mr. Adirek.

Of its 50 billion-baht investment budget 60% will be spent on foreign operations, which are expected to log average revenue growth of 10-15% over the next five years compared with 5-10% for domestic markets. Projects include building Asian-food factories in Europe and the US to tap strong demand in those markets , said Mr. Adirek.

Five Star Chicken fanning out to India and Vietnam

The Nation, June 28, 2013

The rapid pace of modern lifestyle and the need for convenience has prompted Chareon Pokphand Foods (CPF) to expand its business to the fast growing economies of India and Vietnam, which have large population- 1 billion and 90 million respectively.

However, Sanjiv Pann Senior Vice President of CPF, the operator of the Five Star Chicken brand, says Thai fast food businesses seeking to expand overseas must select suitable locations, study local consumer behavior, tastes and preferences and become aware of cultural norms and traditions to ensure good prospects for their business.

It will take some time for Five Star Chicken to be widely accepted by Indian consumer as the company entered the Indian market only late last year, he said. Five Star Chicken hopes to tap the 100-200 million Indian population resident in cities who consume meat, as half of India's population are vegetarians, Sanjiv added.

The growth rate of Five Star Chicken outlets is higher in Vietnam compared to India. However, the competition from international brands such as McDonalds, KFC and Subway is quite intense amid the conducive business environment, which welcomes international fast-food brands and modern discount stores, shopping arcades/malls. As well as CPF's Five Star Chicken brand, Sanjiv said

CPF aims to establish brand awareness in "emerging markets" before the influx of modern retail trade system to gain a competitive advantage over rivals.

As a Southeast Asia country, Vietnam is a less challenging market for Five Star chicken in terms of adapting to consumer tastes and preferences compared to India, he said reflection on the fast growth in Vietnam. In a huge country like India, there are varying tastes and preferences: south Indians prefer spicy foods; north Indians prefer milder foods, like nan bread; eastern Indians prefer foods similar to Myanmar, while western Indians prefer seafood like the Portuguese, Sanjiv add.

Five Star Chicken has adopted "stand-alone" outlets in Vietnam to gain access to target customers, whose numbers are smaller than in India, but are of a higher premium grade than the ones in Thailand, as CPF wants to establish a strong brand presence among Vietnamese consumers.

As for India, CPF is expanding via the franchise system (60 per cent). CPF will lay out the marketing strategies, management system and create brand awareness during this market-testing period. As Indian consumers' purchasing power rises, CPF believes many Indians would want to own their own small business, similar to the Vietnamese market where ratio of franchise businesses rose to 90 per cent.

CPF plans to expand overseas with "Great Chicken for every one everywhere" theme with emphasis on city office workers, resident of apartments/condominiums who rely on fast as opposed to cooking at home, with airports, hospitals, railway station as prime location for Five Star Chicken outlets, Sanjiv said

CPF also plans to launch Five Star Chicken café (restaurant and coffee) in addition to its franchise outlets, with investment of Bt2 million. Five location are initially planned for Bangalore, Sanjiv added

Another vital thing is the corporate brand or image. Foreign consumers want to know the reputation of the firm behind the brand, the business track record and years in operations, market position etc.

CPF plans to add 500 Five Star Chicken outlets in India within the next two years and 400 outlets in the following five years, while Vietnam should have 250 outlets by this year-end and 800-900 outlets in the next five years, Sanjiv said.

Prime locations for Five Star Chicken outlets in both countries are the major cities such as Mumbai, Chennai, Hyderabad, New Delhi, Bangalore in India, and Ho Chi Minh City, Hanoi, Dong Nai, Hai Phong, Can Tho and Danang in Vietnam, He said.

Disease Control

Bangkok Post , June 6, 2013

The Fisheries Department discovered preventive measure to shield the shrimp industry from the fatal early mortality syndrome (EMS.).

The new farming method and working with Charoen Pokphand Foods (CPF) led farmers to nurse nauplius at least 30 days before releasing them into ponds, resulting in a 80-90% survival rate.

EMS ravaged China's shrimp farms in 2009 , Vietnam and Malaysia's farms in 2010 , and was first detected in eastern Thailand's shrimp farms in late 2012.

It causes mass mortality of shrimp during the first 20-30 days of culture in grow-out ponds.

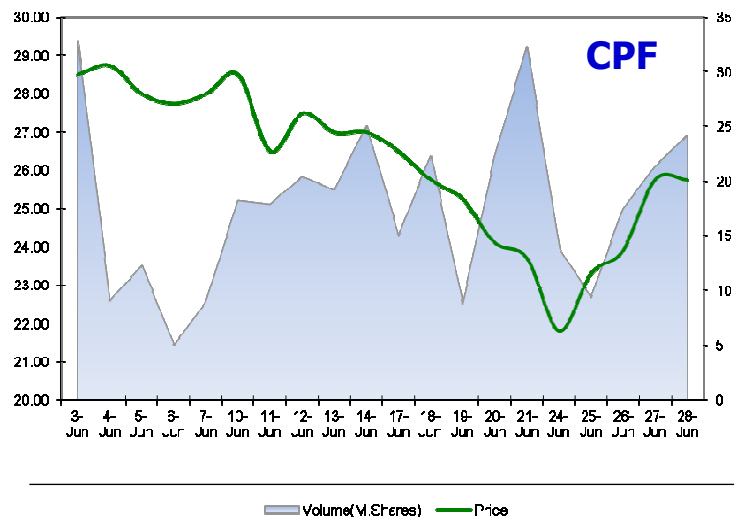
Fisheries Department director general Vimol Jirathanawat said the method showed positive results after being used at CPF experimental farm.

Improved production chains that examine water quality in the ponds and regularly check on the health of the aqua-produce can help stop the deadly disease, which has already cut Thai shrimp production by 30-40% this year from about 500,000 tones.

Price Performances: CPF

Price (Baht)

Volume (Mil. shares)



June 2013	
Highest Price	29.75
Lowest Price	21.60
Closed Price	25.75
Average Volume/Day (Shares)	17,760,000

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