



# Charoen Pokphand Foods Plc.

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## Monthly Newsletter

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## Five-Year Plans for a Great Leap of Growth Abroad

*Prachachat Turakij , September 24, 2014*

Charoen Pokphand Foods Public Company Limited (CPF) is a leading integrated food manufacturing company. The company transformed itself from positioning in agricultural business to agro-food business in 2010 and invested in almost half of the space in the world. This made CPF's business size in animal feed sector became world's number 1, world's number 2 in swine, and world's number 3 in chicken. In the 4<sup>th</sup> quarter of 2014, Mr. Adirek Sripratak, President and Chief Executive Officer is interviewed by "Prachachat" to clarify the overall condition of CPF

### **CPF's Overall Business This Year**

Overall, CPF in terms of Terrestrial Animal business is getting better. For Freshwater animal business, the only concern for shrimp is Early Mortality Syndrome (EMS). Nevertheless the situation is gradually better. Therefore I believe that CPF's overall business is has greatly improved comparing to that of last year proven by business reports of the 1<sup>st</sup> quarter and 1<sup>st</sup> half of 2014 announced. They were better than last year's report. I think the 2<sup>nd</sup> half of this year tends to be better than the 1<sup>st</sup> half in particular shrimp product which is bouncing back on its track. CPF should achieve target we have set and will continuously grow. The revenue of 420,000 – 450,000 million baht is the revenue we expect this year.

### **Domestic Proportion is Less than Abroad**

Yes, CPF grew from selling abroad and that came from 58% of investment financially abroad. Domestically, we export from Thailand for only 6% and produce in Thailand for 36%. The revenue made domestically at the moment is decreased to 1/3. Looking 5 years forward, the domestic production may be reduced to 30% because we have more fast-growing business abroad. We set the animal feed business to grow abroad.

### **Factors for Growth**

Price of meat bounces back to its increase while cost of animal feed ingredients manufacturing is getting lower. Shrimp product is getting better but not the best. So overall, we have lower loss. For Ready Meal products, we have grown for 20% - 30%. What has seemed to grow so fast is "Eggs". The processed eggs: boiled eggs, soft-boiled eggs, Onsen eggs are best sellers. The sales only at 7-11 on a daily basis are more than 200,000 eggs for boiled eggs whereas 50,000 soft-boiled eggs are sold. Yet boiled-eggs with herb do not grow much. They have steady sales as people might not be familiar with. However we plan to have many activities promoting eggs, promoting eggs and make them popular.

### **CPF's Latest Investment**

Mostly the investment abroad is still located in China. Mainly the investment is on ready meal products. The remaining of the investment is taken place in Vietnam, India, and Philippines with more than 7,000 million baht invested. For Russia it is our primary country for investment. In Europe, we bought Top Foods Company and we are bringing its technologies to be applied in Thailand and China. Those companies produce ready meal products and sell them in Europe. Their technologies are far way more advanced than us. They use Microwave System making their chilled products stay for 1 month whereas ours can be kept for only 7 days. They can also build product storage in room temperature and keep products for 1 year maintaining the same food taste. The quality is very good.



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### **Applying with CP Fresh Marts Products**

The technologies will be applied with Ready to Eat products. There are 600 branches of CP Fresh Marts at the moment and they have more increased sales. This comes from the survey conducted. For food business, people have to eat. From the previous situation, whether the economic rose or went down, it did not affect CPF business.

### **Investment Abroad: Acquiring Businesses**

We tried to make our own investment or acquiring businesses. Recently we expanded business by acquiring businesses just like we bought RBPI Russia. Currently we have 2-3 deals to make for business acquisition but should not be complete by this year because we have only 3 months remained. Each deal we make needs time to analyze if the company is interesting enough, has the same food business type, or has network of sales. We consider many factors. These 2-3 deals are on process and they are food and meat businesses. We aim in this way, not outside of the box.

### **How Many Deals Completed This Year?**

We closed the deals with BHJ, a small trading firm and ITOCHU Corporation (Japan), Japan's 3<sup>rd</sup> largest trading company. ITOCHU has confirmed to buy CPP share of 25%. When they allied with us, we made a deal to help each other. ITOCHU is a giant for trading with figures over million and for food business, they are number 1 in Japan. They have more than 200 of subsidiaries. What will directly benefit us is Family Mart which they have 30% of share. At the moment we sell a lot in 7-11, but not many in Family Mart. We are considering what to sell them and what to import to sell in Thailand which benefits CPF.

### **How Will It be for 2015, the Coming of AEC?**

Overall it should be good as AEC attracts investment into the region. This creates liquidity bringing more products and services. People have more convenient transportation. It is all positive but to what extent, it depends on the country. For CPF's policy, we do not rely much on import-export but instead we invest in the countries and sell there. Free Trade never exists especially agricultural products.

### **Accomplished the Investment in Every Area as Planned?**

CPG has invested in Indonesia for 40 years already whereas in Myanmar it has been 20 years. CPF invested in Cambodia, Vietnam, Laos, Malaysia, Singapore, and Philippines. There is only 1 remaining country in ASEAN which CPF has not invested in is Brunei (laugh) as the population is only 400,000 plus. We also have been to China. In Africa we went to Tanzania but it is the small business we have there.

### **Investment in Russia**

Russia is very very interesting place as they are in short of meat so it needs to be imported. Moreover currently they are having problems with Europe and America and this leads to more expensive price of meat in the country. Now we invest in 2 pig farms. Now the price of pig (alive) is 100 baht per kilogram which is very high. Therefore government sent someone to negotiate with us to sell quickly and they can support us with anything we want. They offered us 3 pieces of land with space of 140,000 rai. Russia's price of land is cheap (15,000 – 20,000 baht per rai) and we can own the land. Right now it is in the process of legal check. We intended to expand pig farms on these 3 pieces of land. They have population of over 130 million and they consume 4 times more than Thais. Thailand has over 60 millions of people and they consume 14 millions of pigs each year. While Russia consumes 40 millions of pigs each year. Now they still need more of over 10 millions of pigs. This is our opportunity. We have invested billions of baht and will invest more and more.

### **5 – Year Plan of Income will adjust Income Proportion?**

Yes we will adjust the proportion. The growth plan is adjusted domestically to 36% and the growth abroad will be 30%. We focus on markets in China, Vietnam, India, and Philippines as there is a large number of population and markets are only a few. It is easier to increase sales figures in these countries. We set the revenue growth of at least 10%. This is the same as in 2015. 10% is considered a lot as based on the sales of over 400,000 million baht, the sales is needed to be increased for 40,000 million baht. However there is a room to grow every year. For the 5 – year plan investment, it is approximately 70,000 million baht.

## [CPF wins Thailand's Top Corporate Brand for 4 consecutive years](#)

*Thansettakij , September 27-28, 2014*



**Professor Pirom Kamolratanakul M.D.**, President of Chulalongkorn University, presents Thailand's Top Corporate Brand Values 2014 Award in Agro-industrial and Food Sector to **Mr. Vittavat Tantivess**, Executive Vice President Marketing Unit of Charoen Pokphand Foods (PCL.) or CPF. CPF also won for this award of four consecutive years (2011-2014), organized by Chulalongkorn University. This event was held at The Stock Exchange of Thailand, Bangkok.

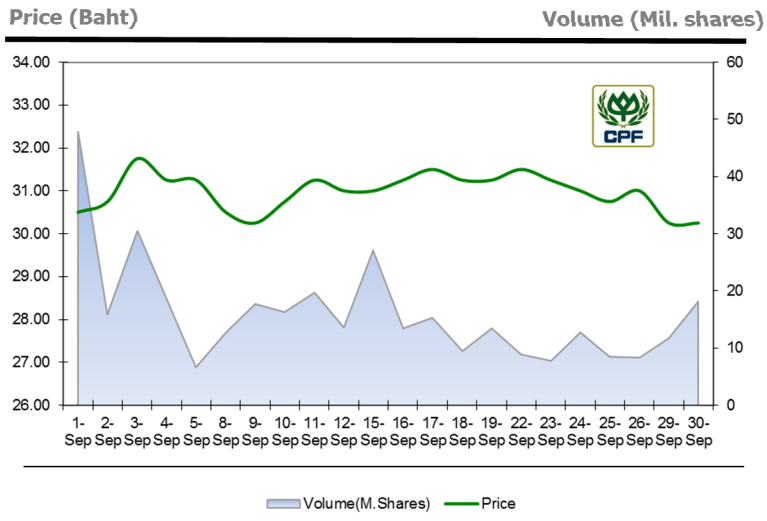
## [CPF wins PM Business Enterprise Award 2014](#)

*Thansettakij , September 19, 2014*



**Prime Minister Prayuth Chan-ocha** presents 'Prime Minister's Business Enterprise Award: PM Award 2014' for Best Thai Brand to **Sukhawat Dansemsuk**, Deputy CEO of Charoen Pokphand Foods (CPF), a manufacturer and distributor of JerHigh pet food. This event organized by The Department of International Trade Promotion, Ministry of Commerce and held at Queen Sirikit National Convention Center, Bangkok.

## Price Performances: CPF



September 2014	
Highest Price	32.00
Lowest Price	29.50
Closed Price	30.25
Average Volume/Day (Shares)	16,110,000

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