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Report Highlights:
Indonesia's poultry sector continues to demonstrate strong growth, despite industry reports of oversupply. The Government of Indonesia has taken some efforts to regulate the import of breeder stock in order to slow growth and strengthen prices, although the results are negligible. Indonesia's commercial chicken flock is estimated at 3.5 billion broilers, 200 million layers, and 24.8 million breeders (2015) with 81 percent of Indonesian poultry genetics originating from the United States (2014). Indonesia does not import or export poultry meat.

General Information:

PRODUCTION AND CONSUMPTION

Indonesia's commercial poultry sector has grown significantly since the early 1980s. The Indonesian Feed Producers Association (APPI/GPMT) reports that the sector supplies 65 percent of Indonesia's animal protein, providing jobs to 12 million people. The Indonesian poultry industry's value is estimated at over 34 billion US dollars, and is made up of six sub-sectors: feed, breeding, broiler farming, layer farming, slaughterhouses, and processing.

The industry is primarily made up of broiler and layer chicken farms, but also features duck broilers and layers, quails, and local/native broiler and layer chickens in smaller quantities. Estimates measure Indonesia's commercial chicken flock at 3.5 billion broilers, 200 million layers, and 24.8 million breeders (2015) with 81 percent of Indonesian poultry genetics originating from the United States (2014).

Indonesia's poultry farming system is slowly transitioning from intensive, open-housed system farms to closed-house, automated housing system farms. This change is the result of increasing poultry market competitiveness, characterized by increasing labor costs, the quest for higher yields, and disease pressures such as highly pathogenic avian influenza (HPAI).

According to the National Commission on Bird Flu Control and Influenza Pandemic Preparedness, HPAI outbreaks between 2004 and 2007 caused approximately USD 315 million dollars in losses from chicken culls, lost export opportunities, decreased poultry demand, and other costs related to disease treatment. Although the HPAI outbreak was limited to layer flocks, public fears drove down broiler demand, pushing prices to levels below production costs and caused many farms to shut down.

Indonesia's Ministry of Agriculture (MOA), inspired by the strong economy during 2010-2012 periods, promoted an agenda to double poultry meat consumption from approximately 7.5 kg/capita in 2012 to 15 kg/capita by 2017. Indonesia's poultry industry began to expand, fueled by a growing economy and unrestricted access for Grand Parent Stock (GPS) and Great Grand Parent Stock (GGPS) imports (see Table 1). Poultry expansion faced challenges, however, as economic performance started to fall off in 2012, with producers reporting that they faced an oversupply of day old chicks (DOC). The oversupply situation, combined with the previously mentioned HPAI pressures suppressed farm gate prices, leading to the bankruptcy of independent broiler farms. The Indonesian Public Poultry Association (PINSAR Indonesia) reports that the number of independent farmers, who is not bound to any poultry company, has fallen from 100,000 in 2008 to 6,000 today. This represents a dramatic shift in the Indonesian poultry industry, with market share of independents decreasing from 70 in 2008 to 18 percent in 2016.

In response to the DOC oversupply situation, the Directorate General of Livestock and Animal Health requested Indonesia's 12 main broiler breeders in 2015 to cull 6 million of their productive breeders in order to support farm gate prices. DGLAHS calculated that culling 6 million breeders would decrease annual production by 780 million head. However, the initiative was hampered by Indonesia's Business Competition Commission, which alleged that the early culling of 6 million breeders constituted cartel-like behavior. The allegations discontinued the ongoing early culling and as the result, only 3 million breeders were culled in 2015, resulting in an estimated production decline of 390 million head. PINSAR Indonesia's website reports that the current farm gate price in most Indonesian cities is at parity with production costs (about IDR16,000-17,000/kg of meat), implying that the cull made little improvement on live broiler prices. (Note that long marketing chains and the use of brokers between some farms and

retail also supports high poultry prices in Indonesia).

Breeder culling only took place during the fourth quarter of 2015. As a result, the cull did not have a significant effect on 2015 production, which increased by 21 percent over the previous year to 2.8 million tons. No culling took place in 2016, and as a result, production is estimated to grow to 3.3 million tons. 2016 growth thus remains strong at 15 percent; although this is lower than in 2015. 2017 broiler meat production is expected to reach 3.5 million tons, eight percent over 2016. Post expects that growth will continue, although at a lower rate, reflecting a 12 percent decline in 2015 GPS imports. This will be slightly offset by second semester 2014 GPS imports, which were at record high levels. (The time lag between the hatching of a GPS chick until a broiler is ready for slaughter averages between 17 and 20 months).

Table 1. Economic Parameters in Relation to Broiler Breeder Import and Broiler Production

Year	Annual Economic Growth (%)[1]	Inflation (%)[2]	Import			Broilers Produced (billion heads)[6]	Δ (%)[7]	Broiler Meat Production (million tons)[8]
			GGPS[3]	GPS[4]	PS[5]			
2009	4.5	2.78	N/A	404,774	N/A	1.061		.983
2010	6.1	6.96	0	402,414	56,440	1.353	28	1.253
2011	6.5	3.79	0	491,490	608,537	1.640	21	1.519
2012	6.2	4.3	0	571,821	0	1.948	19	1.804
2013	5.8	8.4	7,278	574,932	102,479	2.224	14	2.060
2014	5.02	8.36	13,965	720,000	39,150	2.523	13	2.337
2015	4.79	3.35	4,423	665,000	0	3.065	21	2.839
2016	*5,2-5,6**	*<4,0**	*N/A*	*N/A*	*N/A*	*3.536*	*15*	*3.275*
2017	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*3.803*	*8*	*3.522*

Source: (1) & (2) Bank of Indonesia Annual Economic Report; (3), (4) & (5) from DGLAHS, Ministry of Agriculture; (6), (7) & (8) Post estimate. Note: * Bank of Indonesia's target

Table 2. Broiler Chicken DOC Supply and Demand, and Poultry Feed Production

Year	Annual Broiler DOC (million heads)		Annual Poultry Feed Production (000 MT)
	Demand	Supply	
(1)	(2)	(3)	(4)
2012	1,660	1,800	12,700
2013	1,970	2,200	13,800
2014	2,100	2,500	14,400
2015	2,500	3,000	16,000**
2016	2,650	3,250	17,280*

Source: (2) & (3) from Min. of Agriculture, (4) from Kontan Magazine, post research, and Indonesian Poultry Veterinarian Association (IPVA). Note: * calculated based on APPI/GPMT forecast of 8% increase in 2016; ** data from APPI/GPMT

Despite indications of broiler oversupply, the Indonesian poultry industry continues to attract new investment. For example, two poultry companies from Malaysia and the Philippines have made

commitments to invest in Indonesian integrated poultry production.

Avian Influenza is endemic to Indonesia and has resulted in high morbidity and mortality amongst local poultry. Layer flocks are especially susceptible, given their longer lifespans. Broiler chickens, conversely, which rarely live beyond 35 days, have experienced verified AI-related infections at a rate of less than two percent annually. Thus, despite the presence of AI in Indonesia, it is not a significant threat to broiler production.

TRADE

Indonesia imports poultry genetics, but it does not import or export chicken meat. Although Ministry of Trade regulation 59/2016 and the Ministry of Agriculture regulation 34/2016 allow the import of whole poultry carcasses into Indonesia, they do not issue import licenses, resulting in a de facto ban.
Indonesia exported 100,000 day old chicks to Myanmar early 2016, but there are no reports that this trade has continued. The Government of Indonesia pushed forward an initiative in 2015 to formalize exports of processed poultry products to Japan (in reciprocation for Japanese beef exports to Indonesia). This effort was postponed due to quality concerns and price constraints.
Indonesia banned DOC imports from the USA in 2015, following H5N8 and H5N2 HPAI outbreaks. Specific pathogen free (SPF) and hatching eggs (HE) were exempted from the ban, resulting in the substitution of hatching eggs for day old chicks. As a result, 2015 DOC imports declined by 90 percent in 2015, although U.S. poultry breeders were able to sell some DOC from production facilities in Europe and New Zealand. Industry contacts note that the decline in breeder DOC did not decrease broiler production, as it was offset by HE imports as well as the oversupply of breeder poultry instigated by the GOI's 2012 effort to double poultry production. Post notes that DOC imports resumed in February 2016 following eradication of HPAI in the United States. Indonesia has since revised import protocols to exempt DOCs from bans in the event of future HPAI outbreaks.

POLICY

Between 2007 and 2015, Indonesia published two ministerial regulations related to commercial poultry. These regulations are both on HPAI prevention within the commercial poultry sector. In 2016, the Ministry of Agriculture undertook a new initiative to regulate Indonesian poultry productivity. This was developed in response to the poultry industry's rapid and unprofitable growth that began in 2014. As a result, the Ministry of Agriculture issued regulation 61/2016, which the GOI uses to regulate business competition and supply and demand in the poultry industry. Post notes that this regulation is not yet implemented, and its implications are not yet clear.