SUMMARY

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The animal feed industry supports livestock industry by produced animal feed. Feed contributions were reach 70 percent of livestock farm production cost makes feed as an important factor. In Indonesia there are four companies with the largest production of animal feed and market share which has good ability in marketing their products, it shows that net sales increase every year but unfortunately the net profit of companies tend to decrease over the last five years. The purpose of this study was to determine the factors of internal and external effect on profitability as well as projecting company’s profitability over the next five years and to formulate recommendations to improved animal feed company profitability.

The study was conducted within the scope of finance at the four biggest companies in the animal feed production and market share in Indonesia 2010-2015. Internal and external factors in the company that supposed to have alleged effect on profitability Return on Assets (ROA). Internal factors namely are Sales, Cost of Goods Sold (COGS), Debt to Asset Ratio (DAR), and Total Asset Turnover (TATO) derived from secondary data in the published financial statements of the four animal feed companies which is CPIN, JPFA, MAIN, and SIPD. External factors used are exchange rate, rate of inflation, and international corn prices. Data-processing techniques used are quantitative panel data regression analysis with software EViews 9.

The results showed internal factors that significantly affect ROA are sales, COGS, TATO and from the external factor is exchange rate. Variable of DAR, inflation, and international corn prices does not influence significantly. ROA projection results show an increase in 2016 compared to 2015 but this increase is not able to match the achievement of ROA in 2010, by 2017 ROA has decreased trend until 2020. Companies with highest ROA projection is CPIN and JPFA, MAIN is still stable above SIPD without negative earnings and SIPD showed an increase in profit but still below the three competitors. The implications for companies and animal feed industries in general to improve profitability is to increase sales and TATO by implementing a marketing mix strategy. Companies must also be able to reduce COGS costs where the increase is sensitive to profitability, as well as to manage exchange rate risk to anticipate exchange rate fluctuations followed by the government’s active role in maintaining macroeconomic stability.

Keywords: animal feed, financial performance, macro economic, panel data, ROA