Food

China Swine Price Upcycle; Stronger Sector Momentum Expected In 3Q26

MARKET WEIGHT
(Maintained)

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Highlights

- China and domestic swine prices are expected to strengthen in 2H26 hoh and yoy, while commodity prices may soften hoh.
- 2Q26 sector earnings are expected to weaken qoq and yoy. However, we expect an earnings recovery in 2H26.
- We believe CPF is well positioned to outperform as a key beneficiary of the China swine price upcycle in 2H26 hoh.
- Maintain MARKET WEIGHT with CPF and ITC as our top picks.

Analysis

Anatomy of Swine Situation

Country	Small farm (%)	Commercial farm (%)	Currrent sitution in 1H26		Swine Price Outlook (2H26 vs 1H26)	Earnings Exposure
			Small farm	Commercial farm		
Thailand	25%	75%	Loss	Profit	higher	CPF, TFG, BTG
Vietnam	60%	40%	Profit	Profit	Stable	CPF, TFG
China	30-40%	60-70%	Loss	Loss	higher	CPF

Source: UOB Kay Hian

- **Anatomy of swine situation; relocation of large-scale farms.** The swine industry has undergone a gradual transition from a fragmented structure dominated by small-scale farms toward a more consolidated market led by commercial producers. This trend was significantly reinforced by the African Swine Fever outbreak, which exposed the vulnerability of smaller operators with inadequate biosecurity measures. Given the losses incurred by many small-scale farmers during 1H26 in Thailand and China, we see a risk of further small farm exits. The resulting supply reduction should support higher swine prices in 2H26.
- **Sector earnings anticipated to turn around in 2H26 on higher livestock prices from the China and Thailand markets.** While livestock producers are expected to deliver weak earnings in 2Q26, we anticipate an earnings sector recovery in 2H26, both hoh and yoy, by improving swine prices in Thailand and China. In 1H26, the swine industries in Thailand and China faced unfavourable profitability amid oversupply and subdued demand. However, we expect market conditions to improve in 2H26, with the strongest recovery likely in China market, driven by: a) tighter supply following industry-wide production controls implemented since the beginning of 2026, b) further supply rationalisation as loss-making small-scale farms exit the market, and c) seasonal demand strength during the 4Q26. China swine prices are expected to bottom out in 2Q26 and gradually recover throughout 2H26, offering an additional earnings tailwind for CPF. For the Thailand market, the earnings recovery in 2H26 is expected to be driven by higher domestic swine prices hoh. Meanwhile, swine prices in Vietnam are likely to remain stable at healthy levels.

Segmental Rating

Segment	Rating
Food	MARKET WEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Charoen Pokphand	CPF TB	BUY	21.90	25.00
i-Tail Corporation	ITC TB	BUY	15.90	20.50

Source: Bloomberg, UOB Kay Hian

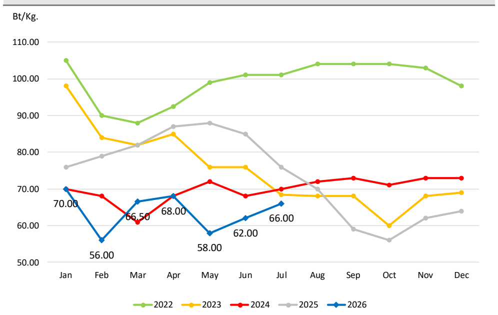
Peer Comparison

Company	Rec	Price 10 July 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US$m)	Net Profit 2026F (Btm)	Net Profit 2027F (Bt m)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2026F (%)	P/B 2026F (x)	Yield 2026F (%)	ROE 2026F (%)
BTG TB	BUY	21.40	24.80	15.9	1,211	4,808	5,205	8.6	7.8	(28.1)	1.1	7.2	14.1
CPF TB	BUY	21.90	25.00	14.2	5,462	21,499	22,960	8.5	7.9	(14.7)	0.8	4.9	8.3
GFPT TB	HOLD	9.20	10.00	8.70	340	2,017	2,175	5.6	5.2	(17.3)	0.5	2.3	8.9
ITC TB	BUY	15.90	20.50	28.9	1,455	3,433	3,803	14.2	12.8	15.3	2.3	6.4	14.2
TFG TB	BUY	10.90	12.40	13.8	1,883	7,440	7,911	8.9	8.0	(0.0)	2.5	3.6	32.9
TU TB	HOLD	11.90	12.80	7.6	1,491	4,642	5,013	10.7	9.9	5.4	1.1	5.5	8.8

Source: UOB Kay Hian

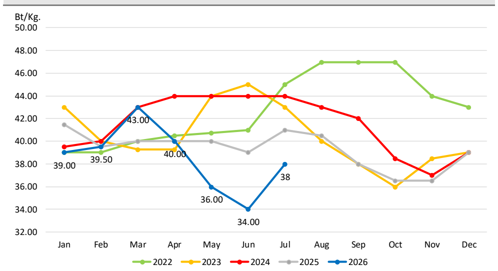
- **Weak earnings for livestock producers in 2Q26.** We expect livestock players' earnings to soften yoy and qoq in 2Q26, due to the lower livestock prices of Thailand and Vietnam. Also, losses from the China swine business are expected to weigh on earnings. On costs side, raw material prices are expected to remain manageable.
- **Domestic swine prices enter an upcycle.** Domestic swine prices in Jul 26 stood at Bt65-66/kg, (+5% mtd). The current rise in domestic swine prices is driven by higher feed costs. In addition, domestic consumption is supported by the Thai Chuay Thai Plus co-payment scheme, providing an additional demand tailwind. We expect domestic swine prices to maintain an upward trend through 2H26, with average prices likely to be higher than those of 1H26's. This outlook is further supported by disciplined supply management among Thai swine producers since early-26. As the swine production cycle progresses, we expect lower supply in 2H26. The improvement in domestic swine prices is expected to be positive for livestock producers, including CPF, TFG, and BTG.
- **Vietnam swine price stabilisation anticipated in 2026.** After Tet season months in 1Q26, we foresee Vietnam swine prices declining from VND68,000-70,000/kg in 1Q26 to around VND65,000/kg in Jul 26. Looking forward, we expect the Vietnam swine price to remain stable at around VND65,000-68,000/kg in 2026 (vs average of VND62,000/kg in 2025). Stronger purchasing power could lead to a slight increase in pork prices across some local markets. However, the potential for significant price increases remains limited in the short term.
- **China's swine prices are showing early signs of recovery,** with prices in Jul 26 at Rmb11.06/kg (+15% mtd), up from an average of approximately Rmb9.5/kg in Jun 26. During 1H26, China's swine industry experienced its most severe price downturn in nearly eight years thanks to the oversupply situation, falling below the breakeven level. Nevertheless, we believe China swine prices have bottomed out in 2Q26 and expect a gradual recovery in 2H26. In the medium to long term, as capacity continues to be eliminated and the peak consumption season arrives in 4Q26, market conditions will see a recovery. The recovery in China's swine prices should drive profit share from Chia Tai Investment and earnings recovery for CPF.
- **Chicken prices should increase alongside swine prices.** The average domestic chicken price in Jul 26 was Bt38-39/kg, (+11% mtd). We expect domestic chicken prices to improve hoh in 2H26, driven by improving demand and the easing of disease outbreaks in 2Q26. Meanwhile, export demand remains a key monitor, given the significant capacity expansion in China.
- **Tuna price updates.** Tuna prices declined to US$1,730/ton in Jun 26 (-7.7% mom). Nevertheless, prices remain elevated, up 17% yoy. For TU's outlook, we expect earnings to improve qoq in 2Q26, driven by seasonal factors, with low raw material costs. However, we expect 2H26 earnings to decline hoh, reflecting pressure from higher raw material costs. For ITC's outlook, we forecast a qoq earnings decline in 2Q26 due to margin pressure from higher input costs and the lag in passing through price increases. Nevertheless, earnings are still projected to grow yoy by strong demand.
- **Livestock feed prices showing signs of easing.** As of Jul 26, soybean and corn prices stood at Bt16.00/kg (-3% from average prices in 2Q26) and Bt13.20/kg (+12% from average price in 2Q26), respectively. Looking ahead, we expect corn prices to trend lower in 2H26 following the harvest season. In terms of soybean prices, according to the USDA, global soybean ending stocks for 2026/27 are projected to rise slightly. While cost pass-through remains a key factor to monitor, we believe livestock producers should be able to mitigate margin pressure through higher average selling price.
- **Extension of animal feed corn import period.** The Cabinet extended the deadline for importing animal feed corn under ASEAN Free Trade Area

Domestic Swine Prices



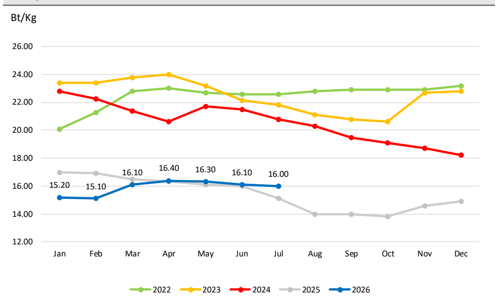
Source: CPF, Thai Swine Association of Thailand, UOB Kay Hian

Domestic Chicken Prices



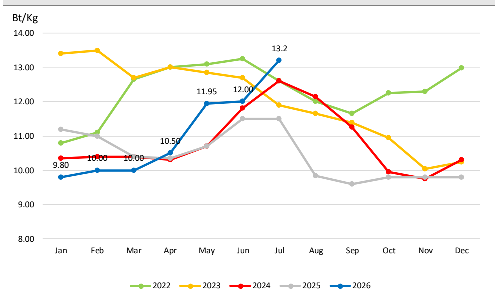
Source: CPF, DIT, UOB Kay Hian

Soybean Prices



Source: CPF, DIT, UOB Kay Hian

Corn Prices



Source: CPF, DIT, UOB Kay Hian

(AFTA). The import period has been extended from Feb-Jun 26 to Feb-Aug 26. Domestic corn typically begins entering the market from July onward. However, the 2026 production indicates that 90.19% of total domestic corn production will enter the market beginning in September. Therefore, the timeline adjustment should be revised to better align with the actual harvest and supply schedule.

- **El Niño expected in 2H26.** The National Oceanic and Atmospheric Administration (NOAA) forecasts a 63% probability that sea surface temperatures in the Niño-monitored Pacific region will exceed 2.0°C, indicating a strengthening El Niño for 2026-27. A strong El Niño could adversely affect global crop production. Meanwhile, easing geopolitical tensions may help alleviate price pressures on substitute feed ingredients. In addition, we expect potential US corn imports to limit the rise in corn prices.

CPF: 2Q26 Results Preview

Year to 31 Dec (Btm)	2Q26F	2Q25	1Q26	yoy(%)	qoq(%)
Revenue	143,167	147,595	136,697	-3.0%	4.7%
Gross profit	21,189	29,210	21,289	-27.5%	-0.5%
SG&A	12,804	13,042	11,868	-1.8%	7.9%
EBIT	8,385	16,168	9,421	-48.1%	-11.0%
Net profit	4,138	10,377	4,875	-60.1%	-15.1%
Core profit	3,369	10,505	4,179	-67.9%	-19.4%
Core EPS (Bt)	0.40	1.25	0.50	-67.9%	-19.4%
Gross Margin (%)	14.8%	19.8%	15.6%	-5.0%	-0.8%
%SG&A/revenue	8.9%	8.8%	8.7%	0.1%	0.3%
Net Margin (%)	2.9%	7.0%	3.6%	-4.1%	-0.7%

Source: CPF, Bloomberg, UOB Kay Hian

- **Charoen Pokphand (CPF):** We expect CPF to report a net profit of Bt4.1b for 2Q26, (-60% yoy and -15% qoq). Excluding one-off items, we expect a core profit of Bt3.4b for 2Q26, (-68% yoy and -19% qoq). The key pressure is expected to be from the lower gross profit margins qoq and yoy by the decrease in livestock prices in the dominant markets. Also, share of profit is expected to decline both yoy and qoq in 2Q26. Looking ahead, we remain positive on CPF, as we expect earnings to improve both hoh and yoy in 2H26, supported by: a) the ongoing upcycle in China swine prices. China swine prices have recovered to Rmb11/kg (+15% mtd, the breakeven level of Rmb13/kg); b) a gradual hoh recovery in Thailand's swine prices in 2H26; and c) chicken prices rebounding to Bt38-39/kg (+11% mtd) in Jul 26 and the seasonal recovery in export demand in 3Q26.

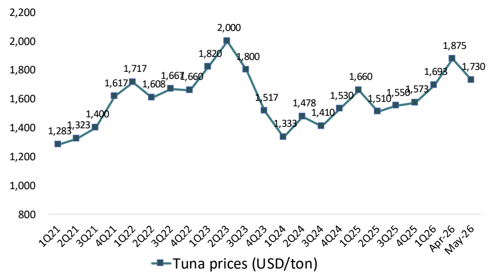
Valuation/Recommendation

- **Maintain MARKET WEIGHT.** We are more positive on food stocks due to improving livestock prices and a stronger earnings outlook in 2H26. Livestock-related stocks are currently trading at 8-9x PE, below their five-year average of 10x. Our top picks are CPF, and ITC.
- BTG: Upgrade to BUY with a higher target price of Bt24.80 (previously: Bt21.00) based on 2026 EPS. We use the forward PE to BTG's three-year mean, at 10x.
- TFG: Upgrade to BUY with a higher target price of Bt12.40 (previously: Bt10.50) based on 2026 EPS. We use the forward PE to industry's five-year mean, at 10x.

Sector Catalyst/Risk

- Higher livestock prices in Thailand, Vietnam, and China market could provide upside to sector earnings.
- Disease outbreaks may lead to significant livestock price spikes through supply disruptions.
- Feed costs may increase caused by El Niño.
- Elevated tuna prices may pressure margins in the ambient seafood segment.

Tuna Prices



Source: TU, UOB Kay Hian

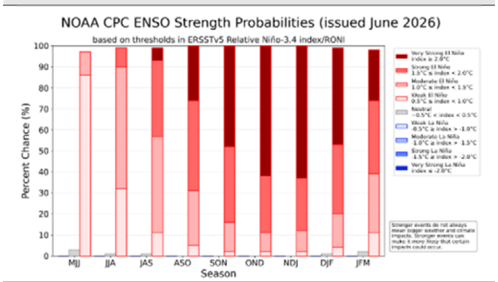
Vietnamese Swine Prices

Source: Pig333

China Swine Prices

Source: NOAA

Chance of El Niño



Source: NOAA