Food

The Worst Has Passed; Reiterate Positive View On Farm Players

Highlights

- We foresee a strong recovery in the food sector's earnings in 2H26 vs the sluggish performance in 2Q26, on the back of a recovery in ASPs amid improving demand and supply conditions, and easing cost pressures.
- We prefer BTG as it is a pure beneficiary of the domestic livestock recovery, while CPF should benefit from the turnaround in China's swine industry.
- Strong pet food export growth should support ITC's earnings improvement.
- Upgrade the sector to OVERWEIGHT. Our top picks are CPF, BTG and ITC.

Analysis

- **Expect a strong earnings rebound in 2H26.** Farm players reported sluggish earnings in 2Q26, down qoq and yoy, mainly due to weaker swine prices across most major markets and lower chicken prices following disease outbreaks. The outbreaks reduced export volume and led to an oversupply of chicken in the domestic market, putting further pressure on prices.

  Looking ahead, we expect a stronger sector momentum in 2H26, driven by improving profitability among farm players, including CPF, TFG, BTG and GFPT. Key supporting factors include: a) a strong rebound in livestock prices, particularly in Thailand, due to domestic demand stimulus measures and tighter supply as smaller retail farmers exit the market, b) easing feed cost concerns during the harvest season, and c) the seasonal peak for exports, which should support both chicken and pet food exports.
- **Sharp rebound in Thailand swine prices.** We remain positive on domestic livestock players, as the continued upward trend in domestic swine prices is in line with our previous expectations. Domestic swine prices are currently at their highest level ytd and could rise despite the seasonally weak period. Prices increased sharply to Bt74-75/kg in Sep 26 (+4% mom and +14% vs the 2Q26 average). We expect domestic swine prices to remain elevated throughout 4Q26 at Bt75-76/kg, supported by: a) tighter supply following losses incurred by small-scale farmers in 1H26; b) sustained domestic demand, supported by the Thai Chuay Thai Plus stimulus programme; and c) supply discipline since the beginning of 2026.
- **Reiterate our view on sector earnings improvement.** We upgrade the food sector to OVERWEIGHT, particularly upstream names. We expect sector earnings to rebound strongly in 2H26, improving both yoy and hoh from the sluggish performance in 2Q26. Livestock stocks are trading at 8-9x forward PE, below their five-year mean of 10-12x. We believe current valuations have yet to fully reflect the uptrend in livestock prices, offering an attractive accumulation opportunity. Our top picks are CPF, BTG and ITC.

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OVERWEIGHT (Upgraded)

Segmental Rating

Segment	Rating
Food	OVERWEIGHT (Upgraded)

Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Betagro	BTG TB	BUY	20.00	24.80
Charoen Pokphand Foods	CPF TB	BUY	22.50	26.00
i-Tail Corporation	ITC TB	BUY	17.50	20.50

Source: Bloomberg, UOB Kay Hian

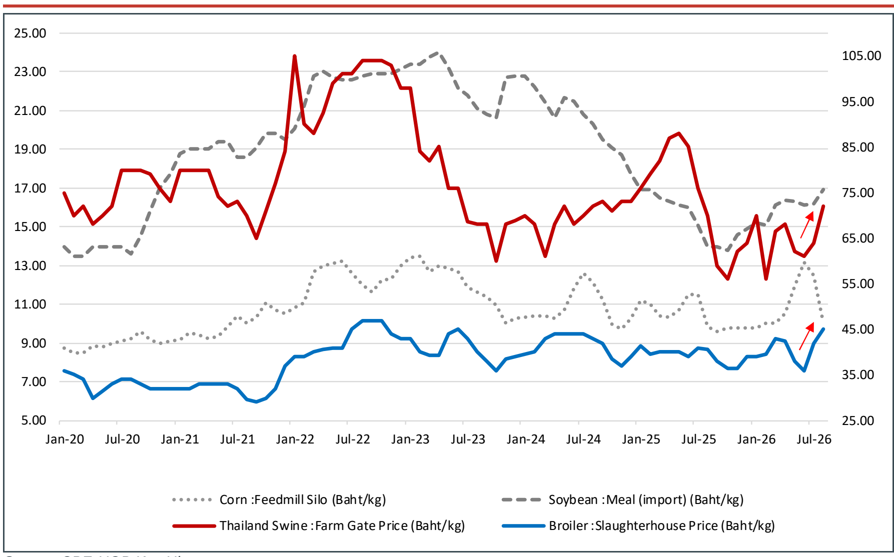
Peer Comparison

Ticker	Rec	Price 4 Sep 26 (Bt)	Target Price (Bt)	Upside To TP (%)	Net Profit 2026F (Btm)	Net Profit 2027F (Bt m)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2026F (%)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (US$m)	Price/ NAV ps (x)
BTG TB	BUY	20.00	24.80	24.00	4,808	5,205	8.5	7.9	(28.1)	7.1	14.1	1,228	1.2
CPF TB	BUY	22.50	26.00	15.56	21,499	22,960	9.3	8.7	(14.7)	4.5	8.3	5,991	0.9
GFPT TB	BUY	9.80	11.40	16.33	2,156	2,196	5.8	5.7	(11.6)	2.2	9.5	375	0.5
ITC TB	BUY	17.50	20.50	17.14	3,444	3,908	15.2	13.4	15.6	5.9	14.2	1,572	2.5
TFG TB	BUY	10.00	12.40	24.00	7,440	7,911	7.9	7.4	(0.0)	3.8	32.9	1,761	2.3
TU TB	HOLD	12.60	13.30	5.56	4,988	5,188	11.0	10.6	13.3	5.4	9.5	1,643	1.2

Source: Bloomberg, UOB Kay Hian

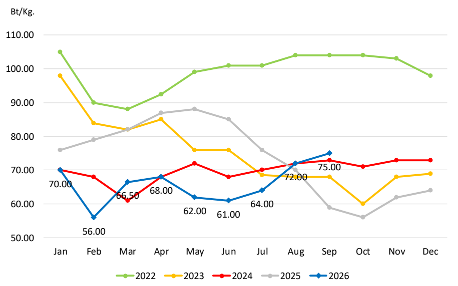
- **Recovery of China swine prices on track.** We believe the worst is likely behind for China's swine industry. Chinese swine prices gradually increased to Rmb11.10/kg in Sep 26 (+6% mom and +10% vs the 2Q26 average). We expect China's hog supply to decline in 2H26, supported by government measures to control supply. This should help ease oversupply pressure and support a continued recovery in swine prices. Looking ahead, we expect Chinese swine prices to reach around Rmb12-13/kg in 4Q26. This should significantly reduce CPF's losses from its Chinese operations, with the business potentially reaching breakeven towards end-26. We believe China's swine industry will continue to recover into 1H27. Following deep industry losses in 1H26, smaller and less efficient farmers are continuing to exit the market, while large producers remain disciplined on production and costs. This should limit supply growth in the short to medium term.
- **Short-term volatility in Vietnamese swine prices.** Vietnamese swine prices stood at VND60,000/kg in Sep 26 (flat mom but 8% below the 2Q26 average). The qtd decline was attributable to weaker demand during the 3Q26 rainy season. We expect prices to recover in 4Q26, supported by seasonal demand. Despite the recent decline, current price levels still support healthy margins for Vietnamese swine operations.
- **Corn prices trending down in 2H26.** In Sep 26, domestic corn prices declined sharply to Bt10.00/kg (-20% mom and -16% from the 2Q26 average), while soybean meal prices increased to Bt16.90/kg (+4% mom and +4% vs. the 2Q26 average), reflecting higher oil costs. Nevertheless, we continue to expect a wider margin among farm players, primarily supported by higher livestock prices and lower corn costs. Furthermore, the expected increase in US corn imports at a competitive price of Bt9.00–9.50/kg should put additional downward pressure on domestic corn prices and further support livestock margins.
- **Export growth remains positive.** In Jul 26, pet food exports expanded 17.4% yoy, marking a continued growth for 11 consecutive months, supported by strong demand from the US, Japan, and Australia. Canned and processed seafood exports grew 2.9% yoy, extending its growth for the second consecutive month, driven by expansion in the US, Australian, and Canadian markets. Processed chicken exports rose 7.5% yoy, continuing their expansion for the eighth consecutive month, supported by demand from Japan, the UK, and the Netherlands. Overall, the continued positive momentum in food exports in Aug 26 should provide support to the food sector's 3Q26 revenue growth.

The Trend of Livestock Prices and Raw Material Cost Prices



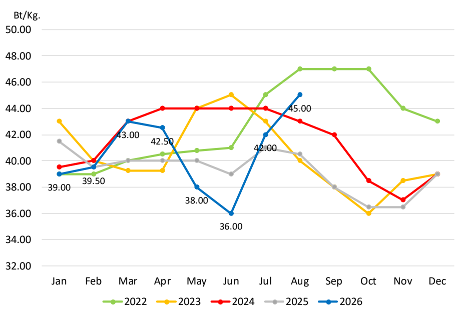
Source: CPF, UOB Kay Hian

Domestic Swine Prices



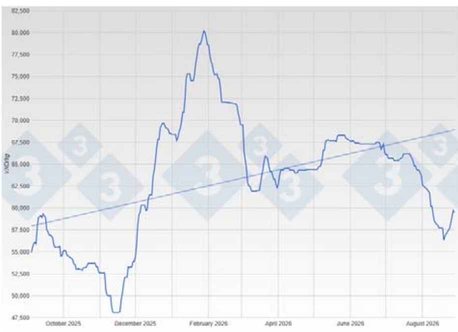
Source: CPF, UOB Kay Hian

Domestic Chicken Prices



Source: CPF, UOB Kay Hian

Vietnamese Swine Prices



Source: Pig333

China Swine Prices

Source: Pig333

2Q26 Earnings Recap And Commodities Prices

Core Profit (Btm)	2Q26	2Q25	1Q26	yoy change%	qoq change%
CPF	4,574	10,994	4,317	-58%	6%
BTG	708	2,618	959	-73%	-26%
TFG	1,500	2,669	1,934	-44%	-22%
GFPT	582	664	486	-12%	20%
Total	7,364	16,945	7,697	-57%	-4%
ASP's prices (Baht/kg)					
Thai Swine	60.7	87.2	58.5	-30%	4%
Thai Broiler	37.4	40.1	40.6	-7%	-8%
Vietnamese Swine	65,660	62,848	68,815	4%	-5%
China Swine	10	15	12.4	-33%	-19%
Raw material prices (Baht/kg)					
Corn	11.7	10.9	9.9	7%	18%
Soybean meal	16.6	16.6	15.8	0%	5%

Source: UOB Kay Hian

- **Recap of farm players' 2Q26 earnings.** Total core earnings of farm players came in at Bt7.4b (-57% yoy and -4% qoq), pressured by weaker livestock prices in Thailand amid disease outbreaks and sluggish demand, as well as higher feed costs, particularly corn prices. However, we expect earnings momentum to rebound in 3Q26, supported by the recovery in Thailand's livestock prices and easing feed costs.

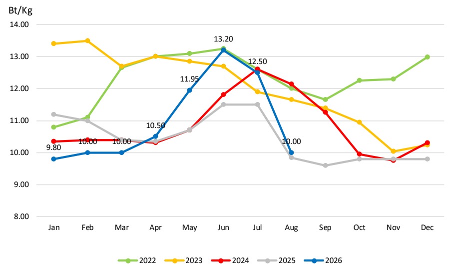
Valuation/Recommendation

- We upgrade the food sector to OVERWEIGHT. 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 BTG, CPF and ITC.**
  - **Betagro (BTG TB/BUY/Target: Bt24.80).** We see BTG as a key beneficiary of the recovery in domestic swine prices, which should support yoy and qoq earnings growth in 3Q26.
  - **Charoen Pokphand Foods (CPF TB/BUY/Target: Bt26.00).** We expect earnings to recover further in 2H26, driven by the continued recovery in the Thailand market, coupled with improving swine market conditions in China. We expect the recovery in China to become more visible towards the end of 2026, with the China swine business potentially turning from a loss to a profit, thereby supporting a stronger contribution from CTI.
  - **Tail Corporation (ITC TB/BUY/Target: Bt20.50).** We remain positive on ITC given its strong sales growth outlook in 2H26 due to it being the peak season and its ability to pass through higher raw material costs.

Sector Catalyst/Risk

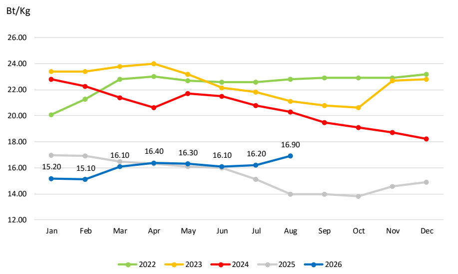
- Higher livestock prices in Thailand, Vietnam, and China market could provide upside to sector earnings.
- Disease outbreaks may lead to significant livestock price spikes through supply disruptions.
- Feed costs may increase caused by El Niño.
- Elevated tuna prices may pressure margins in the ambient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

Domestic Corn Prices



Source: CPF, UOB Kay Hian

Domestic Soybean Prices



Source: CPF, UOB Kay Hian