

7 Aug 2023

# Agriculture

## Rice price keeps hanging high

**Non-rated**

### Revenue of agriculture products sharply rose 19% yoy

Based on our data collected from 26 listed companies in the agriculture sector, revenue rose by 19% yoy to VND27.2tn, mainly contributed by the surging revenue of crop producers by 20% yoy, and 18% yoy in feeding companies. Revenue also surged by 34% qoq, as a result of an uptrend in both crop production and feeding by 35/ 32% qoq. The gross margin (GM) of aggregated agriculture companies dropped from 12.6% in 2Q22 to 13.4% in 2Q23 due to increasing input rice costs.

### Rice price rocketed in 2Q23

Revenue of crop producers increased 20% yoy to VND19tn, upped 35% qoq. Strong yoy recovery was recorded in rice, fruits and vegetables. 2Q23 crops exporting value increased 21% yoy and 21% qoq to USD6.4bn, contributed by the strong growth of vegetables (88% yoy), rice (45% yoy) and coffee exporting value (21% yoy). Revenue from vegetables strongly grew in terms of both price and volume thanks to (1) high demand thanks to the reopening of China that use to be the key export market of Vietnam's vegetables before COVID-19 (2) the peak season of Vietnamese fruit (3) newly certified durian zones to export to China.

### Feeding companies made profit in 2Q23

Aggregating 5 listed feeding companies in 2Q23, the 2Q23 revenue improved 18% yoy and 32% qoq to VND6.4tn, explained by improved price due to rebounding demand and lower supply. GPM increased by 4.2%p yoy to 16.4%, due to decreased costs of feeding supply by 20% after Russia rejoined Black Sea agreement and El Nino weather favored the corn production in Argentina. Remarkably, the big feeder DBC made profit of VND327bn in 2Q23, 23 times the profit in 2Q22.

### Sector benefits from the reverse of negative factors in 2Q23

We anticipate the rice export turnover will keep rising on quarterly and yearly basis in 3Q23, base on following catalyts (1) Russia's exit from Blacksea Grain Initiation (2) El Nino threatens to drag the yield down and (3) India banned non-bastima rice, addition to the ban of 25% broken rice export and 30% tax imposed for non-bastima rice since Sep-2022. However, surging rice price led to rising demand of paddy for upcoming planting seasons. Thus, we expect the GPM will fell on quarterly and remained stable on the yearly basis. Many corporates are seeking financial resources for the expanding investment of the Fall-Winter season, that would push the interest expenses higher despite the SBV's expansionary policy.

**Research Department**

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In this report, we analyzed specific listed companies in crop production and feeding below.

## 1. Revenue of agriculture products sharply rose 19% yoy

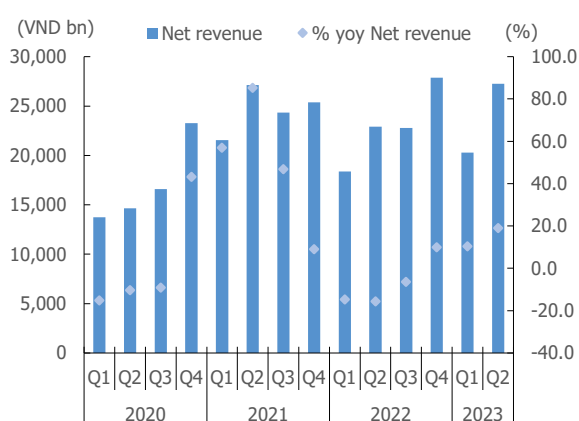
**Table 1. Aggregated earnings of 27 listed agriculture companies** (VND bn, %)

	2Q22	1Q23	2Q23	YoY	QoQ
Revenue	22,917	20,286	27,267	19	34
NPATMI	(160)	(174)	859	NA	NA

Source: Company data, KIS

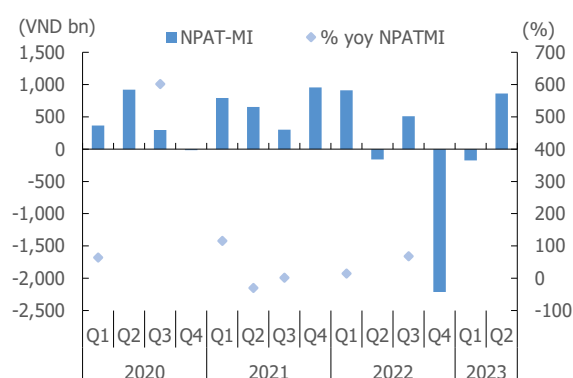
Based on our data collected from 26 listed companies in the agriculture sector, revenue rose by 19% yoy to VND27.2tn, mainly contributed by the surging revenue of crop producers by 20% yoy, and 18% yoy in feeding companies. Revenue also surged by 34% qoq, as a result of an uptrend in both crop production and feeding by 35/ 32% qoq.

**Figure 1. 2Q23 Net revenue of agriculture companies**



Source: Company data, Fiinpro

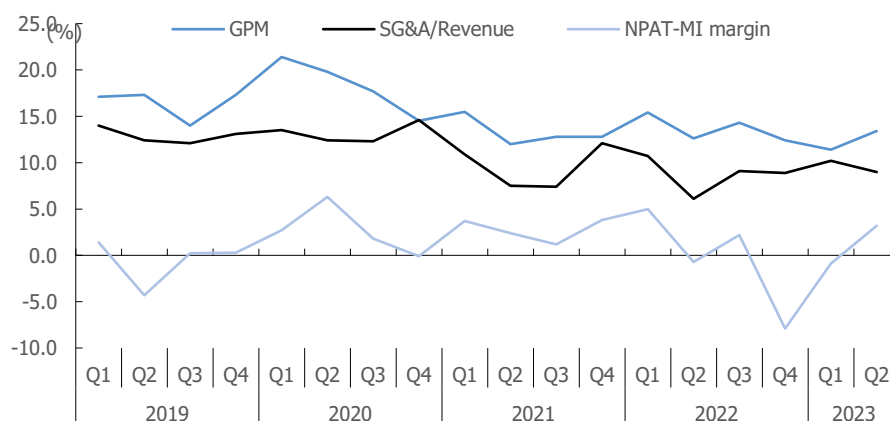
**Figure 2. 2Q23 NPATMI of agriculture companies**



Source: Company data, Fiinpro

The gross margin (GM) of aggregated agriculture companies dropped from 12.6% in 2Q22 to 13.4% in 2Q23 due to increasing input rice costs. Agriculture companies made a NPAT-MI of VND859bn in 2Q23, after making the loss of VND174bn in 1Q23. Crop producers recorded NPATMI of VND584bn, while feeding companies made profit of VND275bn.

**Figure 3. GM of agriculture companies**



Source: GSO, KIS

## 2. Rice price rocketed in 2Q23

**Table 2. Aggregated earnings of 3 listed crop producers**

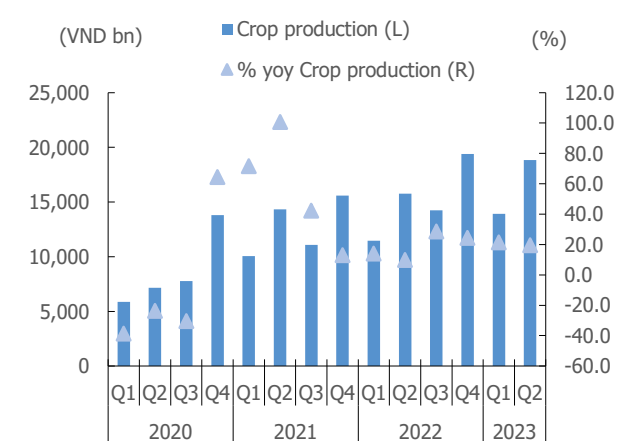
(VND bn, %)

	2Q22	1Q23	2Q23	YoY	QoQ
Revenue	15,757	13,924	18,852	20	35
NPATMI	(75)	182	584	NA	221

Source: Company data, KIS

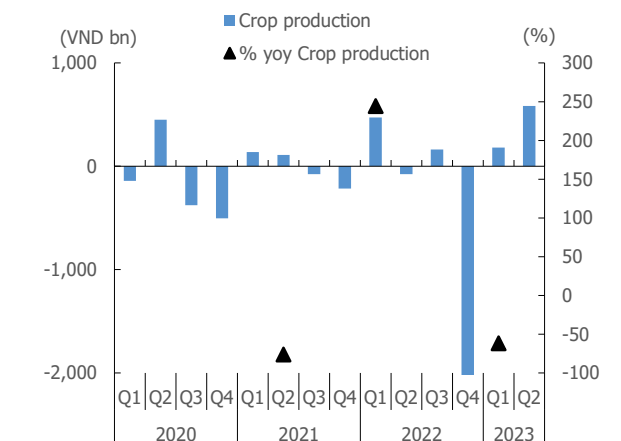
Revenue of crop producers increased 20% yoy to VND19tn, upped 35% qoq. Strong yoy-recovery was recorded in rice, fruits and vegetables. 2Q23 crops' exporting value increased 21% yoy and 21% qoq to USD6.4bn, contributed by the strong growth of vegetables (88% yoy), rice (45% yoy) and coffee's exporting value (21% yoy). Revenue from vegetables strongly grew in terms of both price and volume thanks to (1) high demand thanks to the reopening of China which use to be key export market of Vietnam's vegetables before COVID-19 (2) the peak season of Vietnamese fruit (3) newly certified durian zones to export to China.

**Figure 4. 2Q23 Net revenue of crop production**



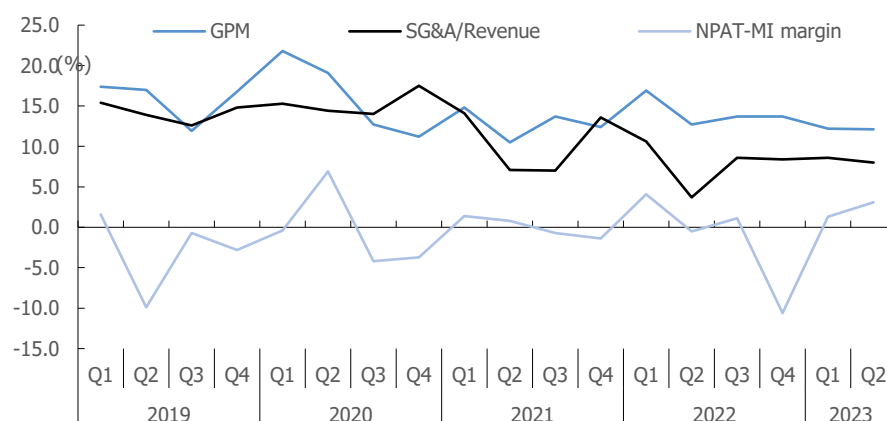
Source: Company data, Fiiipro

**Figure 5. 2Q23 NPATMI of crop production**

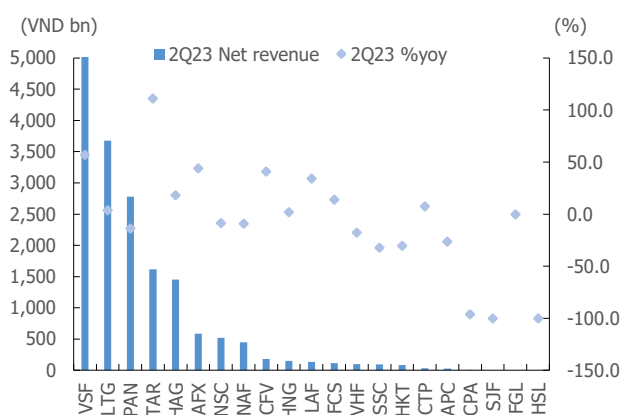


Source: Company data, Fiiipro

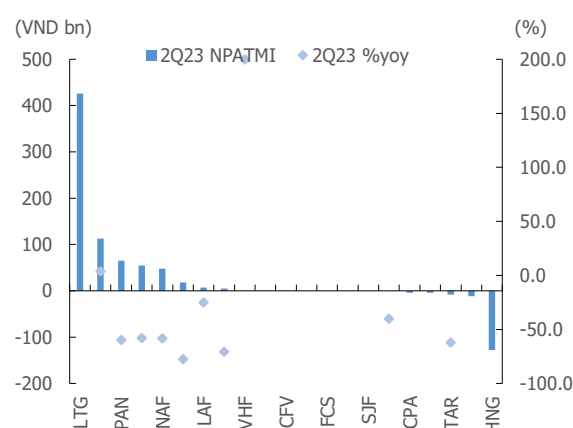
Despite growing revenue, GPM fell by 0.6%p yoy to 12.1% in 2Q23, mostly contributed by increasing paddy seed price. NPATMI recovered to a positive value of VND584bn, compared to the loss of VND75bn in 2Q22. NPATMI margin reached 3.1%, a high level compared to 3-year average. VSF contributed the largest proportion with revenue of VND6.9tn, upped 57% yoy. The second runner-up was LTG at a revenue of VND3.7tn (+3.7% yoy) and PAN at VND2.8tn (-14% yoy) in 1Q23. Despite the high revenue growth, VSF recorded NPAT of VND1bn and, LTG's profit was mainly contributed by the interest from the acquisition of Loc Nhan Grain JSC.

**Figure 6. GPM of crop producers**

Source: GSO, KIS

**Figure 7. 2Q23 Net revenue of crop companies**

Source: Company data, Fiinpro

**Figure 8. 2Q23 NPATMI of crop companies**

Source: Company data, Fiinpro

### 3. Feeding companies made profit in 2Q23

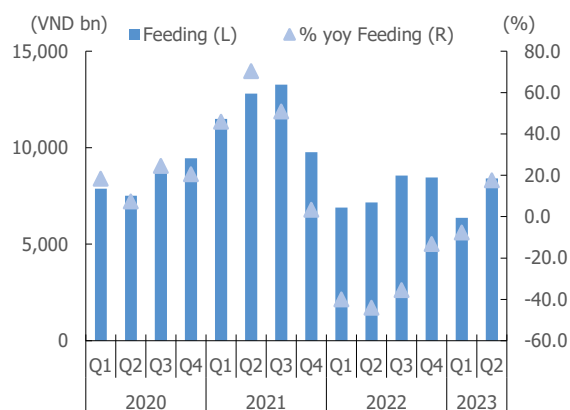
**Table 3. Aggregated earnings of 5 feeding companies**

	(VND bn, %)				
	2Q22	1Q23	2Q23	YoY	QoQ
Revenue	7,160	6,362	8,415	18	32
NPATMI	(85)	(356)	275	NA	NA

Source: Company data, KIS

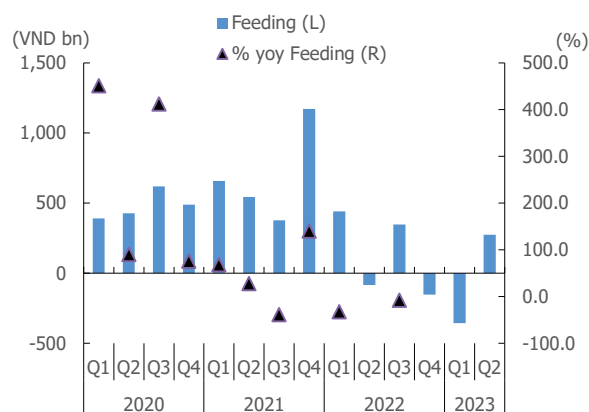
Aggregating 5 listed feeding companies in 2Q23, the 2Q23 revenue improved 18% yoy and 32% qoq to VND6.4tn, explained by improved price due to rebounding demand and lower supply. GPM increased by 4.2%p yoy to 16.4%, due to decreased costs of feeding supply by 20% after Russia rejoined Black Sea agreement and El Nino weather favored the corn production in Argentina.

**Figure 9. 2Q23 Net revenue of feeding**



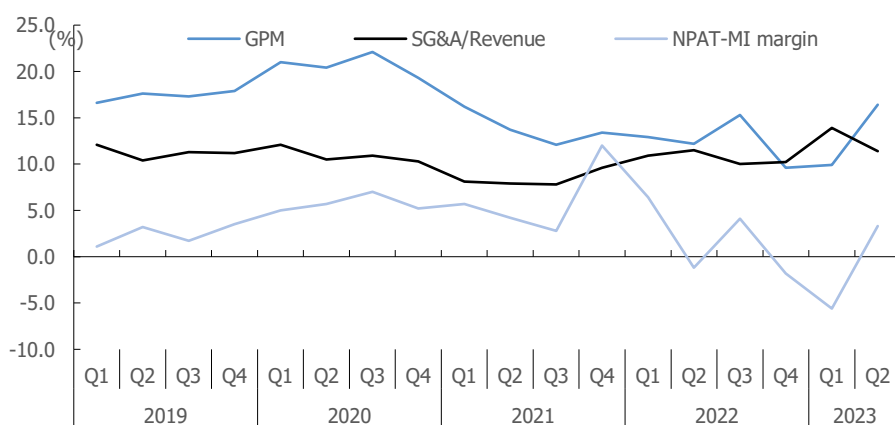
Source: Company data, Fiinpro

**Figure 10. 2Q23 NPATMI of feeding**



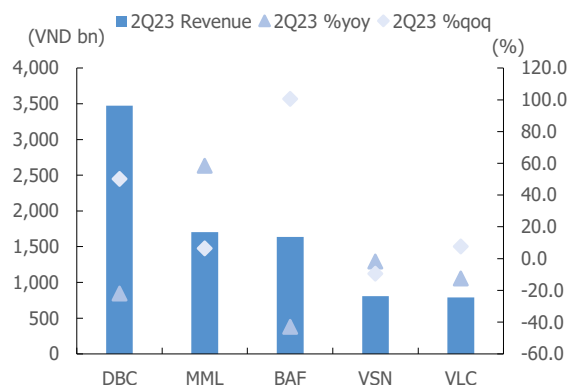
Source: Company data, Fiinpro

**Figure 11. GPM of poultry and livestock feeders**

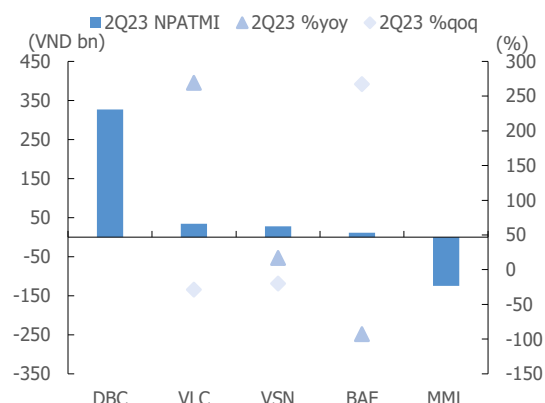


Source: GSO, KIS

DBC earned revenue of VND3.5tn in 2Q23, which rose by 17% yoy, doubled that of MML (VND1.7tn, +69% yoy), BAF (VND1.6tn, +15% yoy) and VSN (VND809bn, -11% yoy). Remarkably, the big feeder DBC made profit of VND327bn in 2Q23, 23 times the profit in 2Q22. MML made loss of VND125bn mainly due to high interest expenses and promotion expenses related to newly consolidated subsidiary Masan Jinju.

**Figure 12. 2Q23 Net revenue of feeding listed companies**

Source: Company data, Finpro

**Figure 13. 2Q23 NPATMI of listed feeding companies**

Source: Company data, Finpro

#### 4. Rice price keeps hanging high in 3Q23

We anticipate the rice export turnover will keep rising on quarterly and yearly basis in 3Q23, based on following catalysts (1) Russia's exit from Blacksea Grain Initiation, which allows Ukraine to export commercial food and fertilizer (including ammonia) from three key Ukrainian ports in the Black Sea, that lead to the fear of grain shortage globally (2) El Nino officially came since Jul-2023 and last about 2-3 years, that threatens to cause droughts in several paddy in Southeast Asia that drag the yield down and (3) India, accounted for 37% of total annual global exported rice, banned non-bastima rice, addition to the ban of 25% broken rice export and 30% tax imposed for non-bastima rice since Sep-2022.

However, surging rice prices led to rising demand of paddy for upcoming planting seasons. Thus, we expect the GPM will fall on quarterly and remain stable on the yearly basis. Many corporates are seeking financial resources for the expanding investment of the Fall-Winter season, that would push the interest expenses higher despite the SBV's expansionary policy.

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