CHINA AGRICULTURE

Hog cycle - deteriorated cash runway suggests accelerating supply response and price inflection ahead; Maintain Buy on Muyuan H/A

Trina Chen

Roy Shi

The Chinese domestic hog price has stayed at a depressed level for the most part of 1H26, on the back of weak pork demand and limited industry supply work. With nearly 100% of producers at cash loss, we expect the supply response to accelerate, including sow-herd reduction, continued policy push on supply work, and potentially more supply exits given the limited cash runways ahead, including recent related events of selected producers. Our analysis suggests the current hog price has led to rapidly shortened cash runways - specifically nearly 30% of listed producers at less than 6 months as of end of 1Q26, or nearly 50% as of end of 2Q26.

We maintain our view on hog price recovery in 2H26E, estimating the market balance to reach 5% in supply deficit, versus 6% of surplus in 1H26E. Maintain BUY on Muyuan H/A. Valuation is below its replacement cost valuation (or liquidation value) on our estimates, and breached its historical low end EV/head - presenting attractive risk/reward opportunities.

Cash runway analysis suggests supply response ahead

The hog sector in China is at a classic cyclical bottom, with nearly all producers at cash negative profit for the most part of 1H26, signs of distress emerging, and potential accelerating supply cuts ahead - past cycle patterns suggest an extended period of deep losses would lead to a 10-20% aggregated cut in the effective sow herd, with a more aggressive pace in later stages.

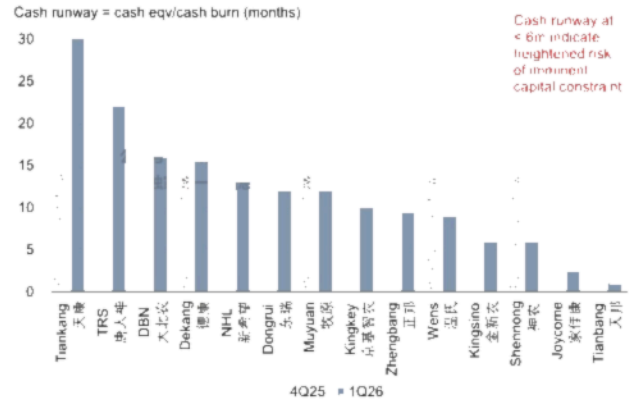
We estimate the average total unit cash cost ranged for Rmb11.6-12.9/kg for large producers, and Rmb13.3-13.7/kg for marginal suppliers, versus average hog price at Rmb11.5/kg in 1Q26A, and Rmb9.5/kg in 2Q26A. Based on reported financials of 14 listed hog producers and the current hog price, our analysis suggests rapidly shortened cash runways, with 4 out of the 14 (nearly 30%) of listed producers at less than 6 months, as of end of 1Q26, or 7 out of 14 (nearly 50%) as of end of 2Q26, assuming all else equal - an indication of heightened risk of capital constraint.

We also note recent examples of listcos announcing debt defaults, restructuring, and/or bankruptcy filings: 1) Restructuring of Tianbang Food signed on May 2025, and increasing number of litigations in 2026 (002124.SZ, Not Covered); 2) Risk warnings on accumulated negative retained capital of Kingsino (002548.SZ, Not Covered) in Apr 2026; and 3) Alert on risk of delisting and debt default for Shandong

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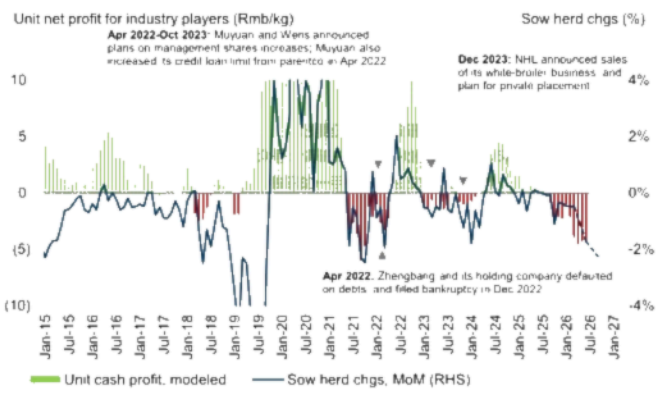
Longda (002726.SZ, Not Covered), and bankruptcy filed by Guangdong Hangda (Private, Not Covered) in Jun 2026 (link).

Exhibit 1: Current hog price implies rapidly shortened cash runways, with 4 out of the 14 (nearly 30%) of listed producers at less than 6 months, as of end of 1Q26 , or 50% as of end of 2Q26, assuming all else equal.



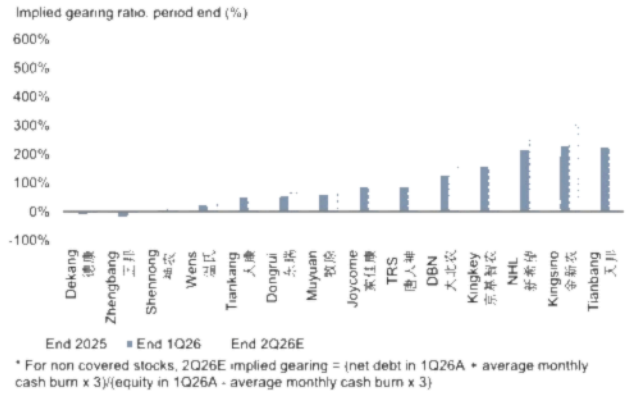
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Historical cycle suggests distress in supply could emerge over ~12 months of downcycle, leading to hog price recovery and sow herd capacity reduction



Source: MoA, Company data, Goldman Sachs Global Investment Research

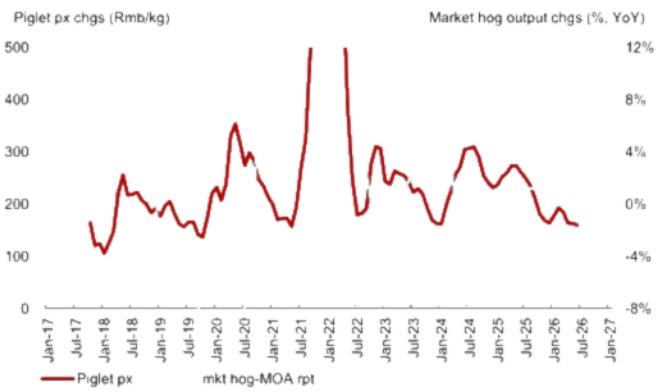
Exhibit 3: Implied gearing of the listed hog producers has also been moving up from 2025 to 1Q26A, and likely accelerating for high cost producers - at 200% gearings, we estimate finance cost could reach Rmb50 per head of market hog on average



* For non covered stocks, 2Q26E implied gearing = (net debt in 1Q26A + average monthly cash burn x 3)/(equity in 1Q26A - average monthly cash burn x 3)

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: Piglet price, inversely correlated with market hog supply in the past, has also reached new lows, suggesting decelerating market hog supply ahead



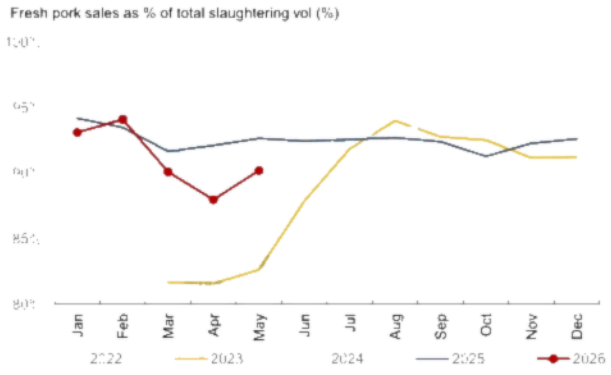
Source: WInd, Sci99, MoA, Goldman Sachs Global Investment Research

What has led to longer than expected low price

The duration of the price recovery from the bottom has been longer than our expectation. Industry sow herd capacity has been contracting since 3Q25, yet hog price remained lower through 2Q26 with no improvement. We think the slow response of small-to-medium producers and soft demand have been the key reasons.

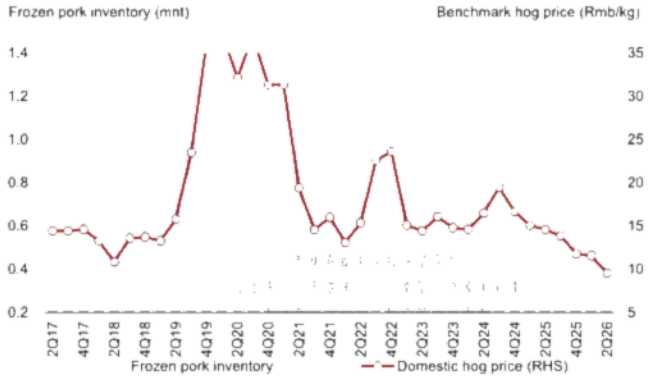
We note that, while the larger sized hog producers have been cutting their sow herd since mid 2025, changes in smaller-to-mid sized producers have been more moderate, based on implied sow herd, and feed in trend. Domestic pork demand may also have been weaker than expected - fresh pork sales as % of slaughtering volume is 2-3% lower yoy, and inventory of frozen pork rose in 2Q26.

Exhibit 5: Softened fresh pork sales trend since Mar 2026, weaker than past seasonality



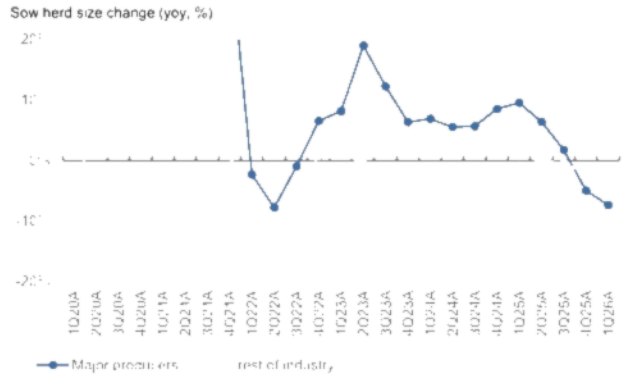
Source: Sci99, Company data, Goldman Sachs Global Investment Research

Exhibit 6: High inventory of frozen pork suggests near term destocking pressure, partly due to soft demand



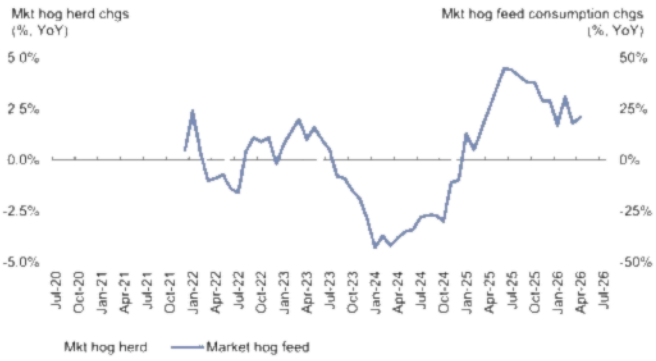
Source: Sci99, Company data, Goldman Sachs Global Investment Research

Exhibit 7: The top three hog producers reduced sow herd by 8% by 1Q26 from mid 2025, while the cuts from rest of industry were mild



Source: MoA, Company data, Goldman Sachs Global Investment Research

Exhibit 8: Market hog feed sales, mostly to family farm and mid-sized producers, remained at 25% higher yoy in May 2026, which suggest market herd size is still larger yoy as of May, but should be trending down



Source: Company data, Goldman Sachs Global Investment Research

Our refreshed S/D forecasts continue to support 2H26 price rebound

We expect MOA's new target for industry sow herd at 37.5mn heads (2026 version, 4% lower than the current level), combined with accelerating exits of distressed producers, to drive cyclical upturn in the coming quarters, thus supporting pricing rebound in 2H26E. Our benchmark hog price of 2H26E remains Rmb15.0/kg in 2H26E, and Rmb15.3/kg for 2027E, versus current spot of Rmb9.4/kg.

On the supply side, we expect the industry effective sow herd to further contract by 8% to 28.5mn heads by 3Q26E, versus end of Dec 2025, incorporating MOA's revised sow herd target. In the meantime, actual hog supply should inflect more imminently, based on our sow based supply analysis - we expect quarterly hog output to be 5% lower yoy in 2Q26E, and 5-6% lower for 3Q26E and 4Q26E, to drive 5% of supply de
partly offset by weaker than expected demand.

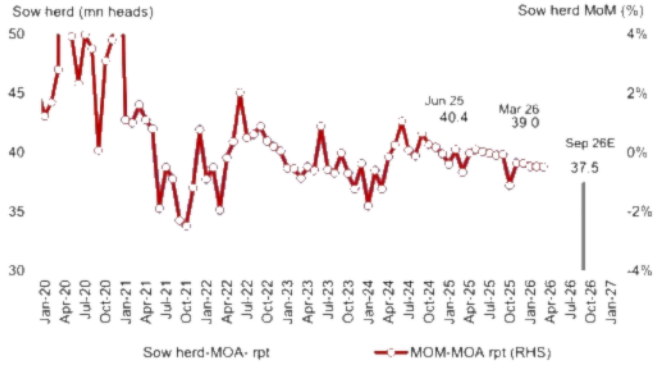
人在草木间

Exhibit 9: Hog sector in China - S/D balance, pricing and key assumptions - updated as of June 29th, 2026

China pork S/D and pricing	Unit	2024A	1H25A	2H25A	2025A	1H26E	2H26E	2026E	2027E	26 vs 25
Benchmark hog price	Rmb/kg	16.8	14.8	12.8	13.8	10.5	15.0	12.8	15.3	-8%
Supply										
MOA sow herd, period end	mn heads	40.8	40.4	39.6	39.6	38.4	37.5	37.5	37.5	-5%
Effective sow herd, period end	mn heads	33.1	31.8	30.8	30.8	29.4	28.5	28.5	28.5	-7%
Sow herd based supply	mn heads	703	366	354	720	364	338	701	665	-3%
	mnt	57.1	30.2	29.2	59.4	30.2	27.6	57.8	54.1	-3%
Secondary fattening	mnt	0.6	0.3	0.1	0.5					
Average hog weight	kg/head	124	125	125	125	124	122	123	121	-1%
Net domestic supply	mn heads	703	366	354	720	364	338	701	665	-3%
	mnt	57.7	30.5	29.3	59.8	30.2	27.6	57.8	54.1	-3%
Net import	mnt	1.0	0.5	0.4	0.9	0.3	0.3	0.6	0.5	-34%
Total supply	mnt	58.7	31.0	29.7	60.8	30.5	27.8	58.4	54.6	-4%
Demand and balance										
Domestic demand	mnt	59.9	29.4	29.8	59.2	28.8	29.2	58.0	57.0	-2%
S/D balance, net	mnt	(1.1)	1.6	(0.0)	1.6	1.8	(1.4)	0.4	(2.5)	
Supply surplus, new	%	*-2%*	*6%*	*0%*	*3%*	*6%*	*-5%*	*1%*	*-4%*	

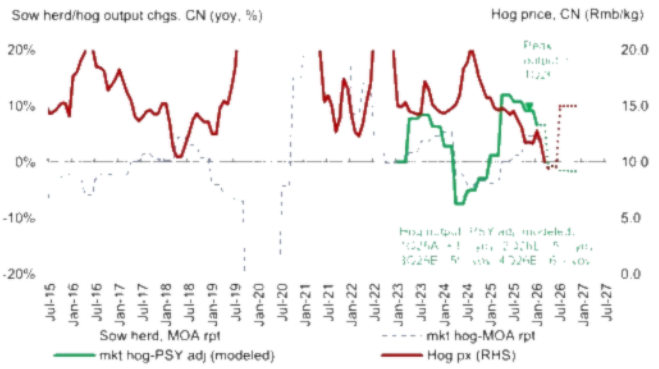
Source: MOA, China Customs, Goldman Sachs Global Investment Research

Exhibit 10: Monthly sow herd has declined by 3.4% as of Mar 2026, versus June 2025, and likely to further cut by 3.9% by 3Q26E, based on MOA revised hog control target



Source: MoA, Goldman Sachs Global Investment Research

Exhibit 11: Market hog output to peak in 4Q25 and 1Q26, and to enter contracting mode for the remainder of 2026, leading to a cyclical upturn in domestic hog prices ahead



Source: Bloomberg, MoA, Company data, Goldman Sachs Global Investment Research

Valuations - risk/reward remains attractive

We see attractive risk reward for hog equities after the recent price correction, with floor valuations set using asset-based valuations. The current share price of Muyuan-H implies 19% of upside for its replacement-based valuation, 88% of upside for its historical low level, and 113% upside for mid cycle value.

Similar scenarios suggest 22% of downside, 32% of upside, and 27% of upside on Wens; 51% of downside, 15% of upside, and 45% of upside on NHL, respectively. We maintain our Buy rating on Muyuan-H/A, Neutral on Wens and NHL.

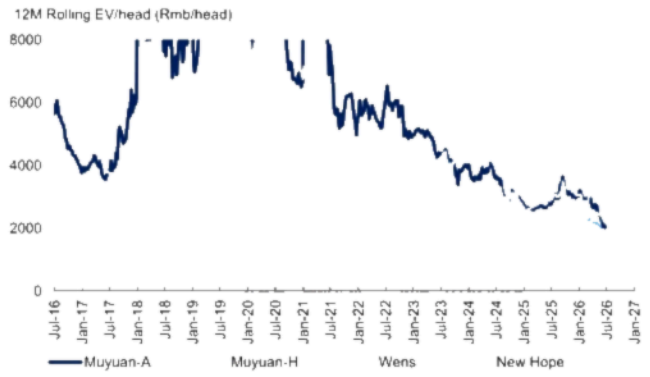
Exhibit 12: Asset based valuation and earnings sensitivity - Muyuan-H, Wens and NHL

	Earning and valuation sensitivity			Asset based valuation		
	Unit NP Rmb/kg	Valuation Tccy	Upside vs. curr.px, %	EV/head Rmb/head	Valuation Tccy	Upside vs. curr.px, %
Muyuan-H (current shr price: HK$29.1)				Based on relacement cost		
Low	1.0	24.5	-16%	1,500	34.5	19%
Mid cycle	3.0	61.9	113%	Historical low EV/head		
High	5.0	99.3	242%	2,500	54.5	88%
Wens (current shr price: Rmb12.2)				Based on relacement cost		
Low	0.5	6.0	-51%	1,000	9.5	-22%
Mid cycle	2.5	15.4	27%	Historical low EV/head		
High	4.5	24.7	103%	2,000	16.0	32%
NHL (current shr price: Rmb6.1)				Based on relacement cost		
Low	(1.0)	n.a.	n.a.	1,000	3.0	-51%
Mid cycle	1.0	8.8	45%	Historical low EV/head		
High	3.0	18.4	202%	1,500	7.0	15%

Priced as of Jun 26th, 2026

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 13: EV per head valuation (Muyuan, Wens, NHL) - breached historical lows



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 14: China agriculture sector - coverage summary

Company	Ticker	Price	Target	Trading	Rating	Upside	Mkt cap	EPS(rpt ccy/sh)		PE		ROE		PB		Div yield		Perf.	ADTV
Price as of 26-Jun-2026		Tccy	Tccy	ccy		%	US$ bn	26E	27E	26E	27E	26E	27E	26E	27E	26E	27E	YTD	US$ mn
Protein																			
Muyuan-A	002714.SZ	33.56	51.50	CNY	Buy	53%	28.5	2.633	7.393	12.7	4.5	18%	38%	2.0	1.5	3.8%	10.6%	-34%	275.1
Muyuan-H	2714.HK	29.06	56.50	HKD	Buy	94%	21.4	2.633	7.393	9.6	3.4	18%	38%	1.5	1.1	5.0%	14.1%	-25%	14.0
Wens	300498.SZ	12.16	14.00	CNY	Neutral	15%	11.4	0.752	2.475	16.2	4.9	12%	33%	1.8	1.4	3.9%	12.8%	-28%	110.3
New Hope	000876.SZ	6.08	6.50	CNY	Neutral	7%	4.0	(0.199)	0.759	n.a.	8.0	-4%	15%	1.3	1.1	0.0%	0.0%	-34%	37.7
Seed																			
Dabeinong	002385.SZ	2.71	5.00	CNY	Buy	85%	1.7	0.036	0.389	74.9	7.0	2%	19%	1.5	1.2	0.0%	0.0%	-32%	38.6
Longping	000998.SZ	7.50	7.50	CNY	Sell	0%	1.6	0.144	0.349	52.1	21.5	3%	7%	1.6	1.5	0.4%	0.9%	-20%	26.1
Denghai	002041.SZ	8.03	7.00	CNY	Sell	-13%	1.0	0.133	0.194	60.3	41.5	3%	4%	1.9	1.8	0.0%	0.0%	-16%	19.3
Feed and animal health																			
Haid	002311.SZ	43.56	58.00	CNY	Buy	33%	10.7	2.898	3.972	15.0	11.0	19%	23%	2.7	2.3	3.3%	4.6%	-21%	72.8
Ringpu	300119.SZ	14.38	15.00	CNY	Sell	4%	1.0	0.860	0.940	16.7	15.3	8%	9%	1.3	1.3	2.0%	2.2%	-23%	10.5
Adisseo	600299.SS	8.83	18.00	CNY	Buy	104%	4.0	1.034	1.086	8.5	8.1	15%	15%	1.2	1.1	4.7%	5.0%	-2%	36.1
Fertilizer																			
QH Salt Lake	000792.SZ	28.91	45.00	CNY	Buy	56%	22.5	2.552	1.661	11.3	17.4	26%	15%	2.6	2.5	4.4%	2.9%	3%	530.6
YTH	600096.SS	32.13	43.00	CNY	Buy	34%	8.6	3.101	3.472	10.4	9.3	22%	22%	1.9	1.7	4.8%	5.4%	-4%	243.4
XLX	1866.HK	9.19	14.00	HKD	Buy	52%	1.4	1.173	1.631	6.8	4.9	14%	18%	0.7	0.6	6.6%	10.2%	0%	6.9
New Yonfer	000902.SZ	12.07	15.00	CNY	Neutral	24%	2.2	1.103	1.696	10.9	7.1	11%	15%	1.1	1.0	2.3%	3.5%	-23%	30.1

Note: Target prices are based on a 12-month timeframe.

Source: Company data, Datastream, Goldman Sachs Global Investment Research

Investment Thesis - Muyuan Foods

Muyuan is a top Chinese hog producer, with integrated breeding, feed production, and slaughter operations, ranked first in China by hog output, and first globally. Muyuan's market hog output reached 78.0mn heads in 2025A, reaching 10.8% market share in China. While earnings remain depressed at present, we expect earnings to improve in 2H26E, on the back of the cyclical upturn in the domestic hog industry, combined with lower total unit cost. In the long run, we expect Muyuan's competitive low-cost position, leading market shares, and lower capex intensity ahead will lead to structural higher free cash flow generation for shareholders in coming years.

With over 30 years of experience in hog farming, Muyuan's total unit cost of production has been consistently running ahead of most domestic peers, underpinned by its unique breeding process, lower feed cost partly due to optimized soybean meal content. Further enhancement in feed efficiency through breeding improvement, and mortality rate control should drive additional upside. Muyuan's unique two-breed rotative

breeding system, and integrated slaughtering business (to provide end-user feedback for breeding selection) should drive its breeding optimization, and thus create potential to expand its profit beyond peers through higher ASP. We are Buy/Buy rated on Muyuan-A/H, supported by its competitive low-cost position and leading market share.

Price Target Risks and Methodology - Muyuan Foods

Our valuation is based on an average of Muyuan's near-term and long-term valuations. Specifically, we use Muyuan's 12m market P/E of 12x, while our long-term valuation is based on P/E of 8x for 2030E, using a discount rate of 10% back to 2026E.

Key risks for Muyuan-A/H include: (1) Hog price uncertainty; 2) disease control; 3) Execution in cost saving; 4) protein demand change and 5) transition to a new generation of management.

Investment Thesis - Wens Foodstuff Group

Wens is one of the largest hog farming companies in China, and also ranks first in China's yellow-feather farming industry, with 40.5mn heads of hog output and 1.3bn feathers of chicken sales in 2025A. We expect improving supply/demand fundamentals in China domestic hog market for 2026E, driven by potential improving industry supply discipline, related to control in sow herd, output weight and secondary fattening, amid demand likely to remain soft. While earnings remain depressed at present, we expect earnings to improve in 2H26E, on the back of the cyclical upturn in the domestic hog industry, combined with lower total unit cost. On the poultry sector, we see improved gross profit in 2026E, as margin recovery continues from its bottom in 1H25A. We are Neutral rated on Wens as we believe its current valuation fairly reflected its earning growth outlook in poultry and hog segment.

Price Target Risks and Methodology - Wens Foodstuff Group

Our 12-m target price for Wens is Rmb14.0/sh, based on the average of our near-term and long-term valuations. Specifically, we use Wens' past 12-m market P/E of 10x to derive our near-term valuation, while our long-term valuation is based on SOTP, including 10x P/E on the hog business and 10x on poultry business, with a base year of 2030E, using a discount rate of 10% back to 2025E. Our new target price implies a P/E of 17x for 2025E, and 8x for 2026E.

Key risks include: (1) Uncertainties in hog prices, which is mostly affected by industry supply changes including both domestic supply and imports, especially the production of oversized hogs which we believe have intrinsically changed the hog cycle in China; (2) Faster/slower-than-expected capacity expansion of hog farming, which could be affected by breeding herd management and other project-related drivers. (3) Better/worse-than-expected cost control in hog farming centered around bio-security measures and disease control, could lead to higher/lower unit profit; (4) Stronger/Weaker-than-expected chicken prices and volumes, which can be affected by improved/softer industry S/D coming from excess capacity or changes in protein consumption preferences.

Investment Thesis - New Hope Liuhe

New Hope is one of the largest agricultural product producers in China covering feed, hog farming and food processing. While the hog price remains depressed at present, we expect sector profit to improve in 2H26E, on the back of the cyclical upturn in the domestic hog industry, combined with lower total unit cost. Nevertheless, NHL remains as a higher cost producer among the top farms. On feed operation, we expect further deterioration in unit profit of hog feed, amid competition on market shares in mid-sized and family farms, partly offset by higher margin from overseas expansion. We are Neutral rated on NHL as we believe its current valuation has fairly priced on hog pricing outlook, and overseas expansion.

Price target risks and methodology - New Hope Liuhe

Our 12-m target price for NHL of Rmb6.5/sh is based on an average of near-term and long-term valuations. We use New Hope's past 12-month average P/E of 16x to arrive at the near-term valuation for 2026E, while our long-term valuation is based on SOTP, including 6x P/E for the hog business, 15x P/E for the feed business, 8x for food processing on 2030E, using a discount rate of 10% back to 2026E.

Key risks include: (1) Upside/downside risk in hog prices, which can be significantly affected by industry supply changes, including both domestic supply and imports, leading to higher/lower-than-expected profitability. (2) Slower-/Faster-than-expected capacity expansion of hog farming, which could be affected by breeding herd management and other project-related drivers. (3) Worse-/Better-than-expected cost control centered on bio-security measures and disease control, which could lead to lower/higher unit profit in the hog farming business.