CONSUMER SECTOR

***Maintain* POSITIVE**

Removal of price control for chicken and eggs

DEVELOPMENT

- Price control for chicken and eggs is expected to be removed after June 2023 based on Agriculture and Food Security Minister Datuk Seri Mohamad Sabu statement that the prices for chicken and eggs are anticipated to be floated after June as part of the government's efforts to overcome the food shortage. By floating prices for chicken and eggs would allow the Ministry of Domestic Trade and Cost of Living to keep track of and evaluate changes in the pricing of the items relative to the established ceiling price.
- Recall that price ceiling for chicken and egg was imposed in July 2022 due to escalating prices for chicken and eggs. Note that in Peninsular Malaysia, the current retail ceiling price for standard chicken is RM9.40/kg and for eggs, is 45 sen for Grade A, 43sen for Grade B, and 41sen for Grade C.

OUR VIEW

- We view the removal of price control for chicken to be positive for livestock players as that would allow livestock players to fully pass on higher production costs to customers by raising prices. We gather that the poultry players have been impacted by higher input costs due to rising animal feed prices (particularly soybean meal and corn), as well as increased minimum wages. Currently the livestock players only able to pass on the higher input cost partially to consumer due to price control despite the ongoing government subsidies for chicken and eggs. Hence, we believe that with the removal of price controls after June 2023, poultry farmers will have more flexibility in passing on higher costs to consumers and improve profit margin. The main beneficiaries would be **Leong Hup International (BUY, TP:0.80)** and **QL Resources (BUY, TP: RM6.30)** as they are the key poultry players in Malaysia.
- We make no changes to our earnings forecast for livestock players under our coverage for now pending further details on the removal of price control for chicken and eggs. The higher feedstock prices are also expected to partially offset the impact of removal of price ceiling.
- We maintain our **POSITIVE** stance on the consumer sector due to: (1) a steady labour market that supports domestic consumption, (2) positive domestic spending ahead supported by the STR programme to B40 groups, and (3) better margins for food and beverage producers due to lower global commodity prices and a stronger MYR. Our top Buys for consumer sector are **F&N Holdings (BUY, TP: RM33.50), QL Resources (BUY, TP: RM6.30),** and **AEON Co (BUY, TP: RM1.81).**

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology