



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 16 - 20 Jan

NEUTRAL

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Rationale for report: Sector update

Quick Take

- *Bloomberg* quoted GAPKI (Indonesian Palm Oil Association) as saying that Indonesia's local consumption of palm oil is likely to climb to 24.3mil tonnes this year from 21mil tonnes in 2022. The move to increase biodiesel mandate to B35 from February onwards will boost local palm oil consumption by 2.5mil to 3mil tonnes. The Indonesian government plans to raise the blending to 40% in 2024F, which would result in an additional local consumption of 3mil tonnes. In spite of this, GAPKI said that palm oil prices are likely to decline in 2023F on weak demand as the global economy may enter into a recession.
- *Reuters* reported that a Brazilian trade group representing global grain merchants has confirmed "atypical" sales of Brazilian soybeans to Argentina. Anec, which represents firms like Cargill and Bunge, said that Brazilian supplies were needed after a spate of Argentine soybean sales, driven by the government's "soy dollar" programme, depleted stocks. An official with Anec said that the deal was also driven by expectations that a brutal drought will reduce Argentina's soybean production in 2023F. An industry expert estimates Brazilian soybean sales of 200,000 tonnes to 300,000 tonnes to Argentina for delivery in February and March.
- *South China Morning Post* cited a Rabobank report as saying that China's soybean imports appear to have already hit their peak and will gradually decline through 2030F as Beijing continues efforts to double down on food security. China introduced the concept of low-protein feed formula in 2018 during the US-China trade war amidst uncertainties surrounding external supplies. The Ministry of Agriculture and Rural Affairs continued to issue further guidelines to reduce soybean meal use over the past couple of years. The report said that China's soybean imports peaked in 2020 and the inclusion rate of soybean meal in feed rations is projected to drop from 15.3% in 2021 to 13.5% in 2025F and 12% by 2030F.
- In a related development, *Reuters* reported that China's soybean imports jumped 19% YoY in December 2022 as buyers stocked up beans to ease tight supplies. China imported 10.6mil tonnes of soybeans in December, the highest for a month since June 2021. For 2022, soybean imports fell by 5.6% YoY to 91.1mil tonnes. Crushing margins in China have been negative since mid-December due to high global prices and weak soybean demand ahead of the Lunar New Year.
- *The Edge Online* quoted FGV Holdings' CEO, Datuk Nazrul Mansor as saying that he hopes that the US CBP ban on FGV's palm products would be lifted by the end of 2023F. FGV plans to submit its reports by 1Q2023. On labour shortage, FGV said that the issue would be solved by the end of March 2023 with 5,000 workers coming in from Indonesia and Nepal.

TABLE 1: REGIONAL VALUATION COMPARISONS

Company	Price	Mkt Cap	P/E (x)		ROE (%)		Net Dividend Yield (%)	
	(lcl cry)	(lcl cry mil)	CY22E	CY23F	CY22E	CY23F	CY22E	CY23F
Malaysia								
IOI Corp	3.87	24,024.9	14.9	17.3	14.9	12.2	3.4	3.1
Kuala Lumpur Kepong	21.40	23,072.5	11.3	14.3	15.4	11.5	4.4	3.5
Sime Darby Plantation	4.34	30,014.2	13.3	16.9	13.8	10.3	4.4	3.5
TSH Resources	1.07	1,476.8	7.4	9.9	15.3	7.3	5.5	2.5
Genting Plantations	5.97	5,356.3	10.0	13.5	10.0	7.1	5.2	4.3
Hap Seng Plantations	1.88	1,503.4	6.7	9.6	11.0	7.2	9.6	7.1
FGV Holdings	1.33	4,852.0	4.1	7.3	21.2	10.3	6.5	4.7
Boustead Plantations	0.65	1,456.0	4.4	12.0	13.2	4.0	20.0	7.2
Sarawak Oil Palms	2.62	2,332.2	4.4	7.0	17.5	10.2	5.2	3.8
Ta Ann Holdings	3.50	1,541.6	4.5	7.6	19.8	11.0	12.4	7.3
Singapore								
Wilmar International	4.07	25,407.2	8.9	10.1	11.0	9.0	4.6	4.3
First Resources	1.40	2,195.2	4.9	7.1	24.7	15.5	8.7	6.3
Bumitama Agri	0.59	1,023.1	3.4	5.5	29.4	15.9	9.6	7.0
Golden Agri-Resources	0.24	3,043.6	3.0	5.9	18.7	7.0	12.7	6.1
Indonesia								
Astra Agro Lestari	8125	15,638,092.7	9.1	8.3	8.0	7.7	5.1	5.0
Perusahaan Perkebunan London	1040	7,095,778.5	7.2	7.8	9.0	7.8	5.2	5.0
Dharma Satya Nusantara	655	6,942,896.8	6.0	6.2	13.3	11.8	3.0	5.0

Source: Bloomberg

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