



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 11 – 15 May

UNDERWEIGHT

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Rationale for report: Sector update

Quick Take

- The *USDA (US Department of Agriculture)* has released its monthly demand and supply projections for vegetable oils. It forecasts US soybean production to climb by 16.0% to 4,125mil bushels in 2020F/2021F from 3,557mil bushels in 2019/2020F on the back of higher planted areas. US farmers are anticipated to plant soybean on 83.5mil acres of land in 2020F/2021F vs. 76.1mil acres in 2019/2020F. In spite of this, US soybean inventory is expected to fall by 30.2% to 405mil bushels in 2020F/2021F due to lower carry-over inventory from 2019. The USDA estimates average US soybean price to be US\$8.20/bushel in 2020F/2021F against US\$8.50/bushel in 2019/2020F.
- *Bloomberg* quoted the Solvent Extractors Association of India as saying that as many as 39 permits to import refined palm oil into India have been suspended following requests by vegetable oil processors. The India government has also started action against those who import refined palm oil, thus flouting the rule of origin. We view this negatively as this will affect the demand for palm oil. This development will affect Indonesia's palm exports, which will exert pressure on global CPO prices.
- In a related development, the Solvent Extractors Association of India said that the India government should immediately ban imports of refined palm oil to protect domestic refiners and oilseed crushers. The association added that with corona-driven prospects of jobs looming, it is imperative that refined oil imports are banned.
- *Bloomberg* also reported that 24 US senators have told the US president that the EPA (Environmental Protection Agency) should deny the governors' requests to waive biofuel blending mandates. Granting the waivers would exacerbate the pain for the biofuel industry and farmers, whose income is tied to the health of the sector. Some US governors have sought to waive the biofuel blending mandates due to the increase in the cost of compliance and drop in fuel demand.
- The *Financial Post* cited traders as saying that Chinese importers have bought at least four cargoes or about 240,000 tonnes of US soybeans for shipments in July. Traders said that more sales could be coming as a Chinese state-owned company had sought offers for up to 20 cargoes to be shipped from July to November 2020 from the terminals along the US Gulf Coast or the Pacific NorthWest.
- *Mining.com* cited Uralkali as saying that Belarusian Potash Company (BPC) is selling potash at such a low price that it may make it impossible for the company to conclude contracts. Uralkali said that the selling price of US\$220/tonne set by BPC and China did not reflect the grim conditions or the outlook for the fertiliser market. Uralkali said that potash producers incur high investment costs to maintain existing production capacities and develop new deposits. If contracts are agreed at the price levels set by BPC, this will drive producers to cut capital investments in the long term.
- *Bloomberg* reported that China's soybean imports fell by 12% YoY in April 2020 due to delayed loadings in Brazil and poor demand from restaurants. China imported 6.7mil tonnes of soybeans in April 2020 compared with 7.6mil tonnes in April 2019 and 4.3mil tonnes in March 2020. An industry expert said that the pace of loading in Brazil has picked up in late March, which should boost the country's soybean imports in May 2020.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	12.5	11.1	10.6	1.2	3.3	3.0	4.5	5.1	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	10.5	9.0	8.7	2.0	4.4	5.0	4.6	5.5	6.4
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	70.7	21.2	19.3	-	-	-	0.3	0.9	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	22.8	16.0	12.6	1.3	2.7	3.1	9.3	9.6	9.9
Sampoerna Agro	22.8	16.0	12.6	0.6	0.6	0.6	5.0	6.7	7.7
Sawit Sumbermas	19.4	13.1	-	0.2	1.7	-	10.8	16.3	-
Simple average	26.4	14.4	12.8	1.1	2.5	2.9	5.8	7.3	6.1
Singapore									
Wilmar International	14.2	12.8	11.6	3.1	3.4	3.6	7.0	7.6	8.0
Olam International	8.8	8.8	8.8	5.0	5.0	5.0	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	17.1	14.7	14.7	3.9	2.9	3.9	1.1	1.6	1.6
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	10.3	8.5	8.0	3.2	3.4	4.0	12.3	12.8	12.8
Bumitama Agri	10.2	8.3	7.4	4.4	5.1	6.8	10.3	10.7	11.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	12.1	10.6	10.1	3.9	4.0	4.7	7.7	8.2	8.4
Malaysia									
Genting Plantations	30.9	24.1	22.3	1.7	1.9	2.2	4.7	5.8	6.8
IJM Plantations	29.8	19.1	17.2	2.2	3.1	3.1	2.3	4.3	4.9
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	29.0	26.0	24.7	2.2	2.4	2.5	8.5	9.6	9.9
Kuala Lumpur Kepong	25.4	23.5	21.6	2.5	2.6	2.7	7.7	8.4	8.7
Felda Global Ventures	31.3	18.6	21.3	2.3	2.7	2.6	1.9	3.8	4.4
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	13.7	11.0	9.8	2.7	2.7	3.6	4.9	5.8	6.9
TH Plantations	137.5	9.8	5.7	0.0	1.1	12.7	2.2	2.9	7.1
TSH Resources	14.9	11.8	10.2	2.2	2.8	3.4	5.0	5.6	6.5
SD Plantation	45.2	37.4	33.9	1.5	1.8	1.7	4.9	6.4	6.9
Sarawak Plantations	11.9	11.0	8.9	3.5	5.2	3.5	5.7	6.4	7.1
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	10.7	9.1	7.7	4.2	4.6	4.7	5.8	7.6	8.2
Jaya Tiasa	30.0	13.7	8.7	1.0	2.1	5.4	2.1	5.2	7.0
Hap Seng Plantations	17.6	16.9	16.5	3.1	3.1	2.7	2.8	3.4	3.7
Simple average	32.9	17.8	16.0	2.2	2.8	3.9	4.5	5.8	6.8

Source: Bloomberg

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