



AmInvestment Bank

## Sector report

# PLANTATION

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News flow for week 25 – 29 May

## UNDERWEIGHT

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Rationale for report: Sector update

Quick Take

- *PTI* of India quoted the Solvent Extractors Association of India (SEA) as saying that the India government should raise customs duties on soybean, sunflower oil and palm oil as India's 2010 trade pact with Malaysia and Indonesia comes into an end this year. The 2010 agreement does not allow India to raise duties.
- SEA has suggested that the import duties on soybean and sunflower oils be raised to 45% from 37.5% and the import duty on crude palm oil be increased to 50% from 37.5%. Imports of refined palm oil and palm olein should also be banned. SEA cited a government study as saying that India has a potential of two million hectares of palm oil to be cultivated. Currently, planted areas amount to only 0.3mil hectares.
- *Bloomberg* reported that China ordered 10 cargoes of palm oil two weeks ago for delivery from June to October 2020 as import margins improve and domestic demand recovers. The China National Grain and Oils Information Center estimates China's palm oil imports to be 430,000 tonnes in May and 400,000 tonnes in June. Total palm oil inventories were 440,000 tonnes as at 20 May, down by 370,000 tonnes YoY and 160,000 tonnes MoM.
- *Reuters* reported that last week, soybean loading operations at one of the berths in Brazil's Paranaguá port have shut down after a crew member of a vessel tested positive for Covid-19. All other berths at Paranaguá are operating normally. Brazil's health surveillance agency, ANVISA has decided the vessel will remain moored at the berth without loading until all the crew members have been tested.
- In another development, *Reuters* said that China's soybean imports from Brazil rose by 2.6% YoY in April as Brazil shipped more cargoes due to better weather conditions. China bought 5.939mil tonnes of soybeans from Brazil in April 2020 compared with 5.786mil tonnes a year ago.
- *Bloomberg* reported that USA's Environmental Protection Agency (EPA) has drafted a plan to lift biofuel blending targets slightly higher next year while at the same time, skirting potentially controversial decisions on exempting some refineries from the blending mandates. Under a proposed rule, the EPA would require refiners to use 5.17bil gallons of advanced biofuels in year 2021F, up from 5.09bil gallons this year. Also, the EPA would require refiners to use 2.76bil gallons of biodiesel in year 2022F vs. 2.43bil gallons in year 2021F.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
<b>Indonesia</b>									
PT Astra Agro	15.6	13.7	13.4	1.0	2.6	2.5	4.0	4.8	5.0
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	13.1	11.2	10.6	2.4	4.0	4.6	4.2	4.8	5.1
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	62.8	29.6	21.0	-	0.5	0.5	0.4	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	21.3	15.0	11.8	1.3	2.8	3.1	9.3	9.6	9.9
Sampoerna Agro	21.3	15.0	11.8	0.6	0.6	0.7	5.0	6.7	7.7
Sawit Sumbermas	25.2	17.9	44.8	0.2	1.3	0.7	7.8	10.0	4.4
<b>Simple average</b>	<b>26.5</b>	<b>17.1</b>	<b>18.9</b>	<b>1.1</b>	<b>2.0</b>	<b>2.0</b>	<b>5.1</b>	<b>6.1</b>	<b>5.5</b>
<b>Singapore</b>									
Wilmar International	14.4	13.0	11.9	3.1	3.4	3.6	7.0	7.6	8.0
Olam International	8.5	8.5	8.5	5.2	5.2	5.2	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	17.5	15.0	15.0	3.8	2.9	3.8	1.1	1.6	1.6
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.2	10.1	8.9	2.6	2.9	3.5	11.1	12.1	12.4
Bumitama Agri	11.0	8.9	8.0	4.0	4.8	6.3	10.3	10.7	11.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
<b>Simple average</b>	<b>12.7</b>	<b>11.1</b>	<b>10.5</b>	<b>3.7</b>	<b>3.8</b>	<b>4.5</b>	<b>7.4</b>	<b>8.0</b>	<b>8.3</b>
<b>Malaysia</b>									
Genting Plantations	45.5	34.5	29.0	1.2	1.5	1.7	4.1	5.2	5.7
IJM Plantations	36.7	23.6	21.2	1.8	2.5	2.5	2.3	4.3	4.9
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	37.5	32.4	30.0	1.8	2.0	2.1	8.0	9.0	9.5
Kuala Lumpur Kepong	29.0	26.8	24.5	2.3	2.3	2.4	7.5	8.2	8.7
Felda Global Ventures	45.0	24.0	28.4	1.9	2.2	2.1	1.6	3.5	4.1
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	17.1	13.5	12.2	2.1	2.1	2.9	4.9	5.9	6.9
TH Plantations	155.0	11.1	6.5	0.0	1.0	11.3	2.2	2.9	7.1
TSH Resources	18.8	15.0	13.1	1.7	2.1	2.6	4.1	4.9	5.4
SD Plantation	56.3	42.5	36.3	1.0	1.3	1.6	4.3	6.1	6.8
Sarawak Plantations	13.3	12.2	9.9	3.1	4.7	3.1	5.7	6.4	7.1
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	11.3	9.6	8.1	3.9	4.3	4.4	5.8	7.6	8.2
Jaya Tiasa	-	14.6	11.1	1.0	1.2	-	-	-	-
Hap Seng Plantations	37.4	28.0	24.2	1.6	2.1	2.6	1.4	2.2	2.3
<b>Simple average</b>	<b>41.9</b>	<b>22.1</b>	<b>19.6</b>	<b>1.8</b>	<b>2.3</b>	<b>3.3</b>	<b>4.3</b>	<b>5.5</b>	<b>6.4</b>

Source: Bloomberg

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