



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 15 – 19 June

UNDERWEIGHT

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Rationale for report: Sector update

Quick Take

- **Bloomberg** reported that Unilever NV is releasing a new set of climate goals that are the most ambitious of any consumer company tackling carbon emissions. Unilever aims to zero out all emissions from its own operations and suppliers by year 2039. As part of the climate plan, Unilever is committing to go “deforestation free” in its supply chains for five raw ingredients most associated with tree loss i.e. palm oil, soybeans, tea, paper and cocoa.
- Currently, Unilever relies on certification done by third parties, but it will move to a verification process that will use satellite imagery and blockchain technology in the future. A company official said that this will make certification obsolete but the company will have real-time verification in the future.
- **Reuters** reported that US exporters reported sales of 720,000 tonnes of soybeans to China two weeks ago as active purchases by China continued. The weekly US soybean export sales were the largest in 16 months, with the majority slated for shipments to China or undisclosed destinations widely believed to be China. China has been ramping up US soybean purchases as supplies in Brazil are tightening, and the rising Brazilian real has been driving up prices.
- According to **Reuters** also, a leading US biofuel group said that it had started conversations with the campaigns of Joe Biden and Donald Trump to discuss potential policy fixes for the ailing industry. The discussions came about as the Covid-19 pandemic had crushed the demand for ethanol and other biofuels. At the peak of the demand destruction, more than 70% of the country’s 200 ethanol plants were idled while many reduced production rates.
- **Bernama** quoted the MPOC’s officials as saying that Malaysia and Indonesia must be active players in the standard-setting process for the EU’s international sustainability standards. The officials said that while the EU intends to lead the work on international sustainability standards and environmental footprint calculation methods, the palm oil sector must be given assurances that the green claims are accurate, verifiable, relevant, substantiated and not misleading. The officials added that some measures to be proposed by the EU in the coming years could have significant implications for palm oil.
- **Dentistry.co.uk** cited the Oral Health Foundation as saying that about 61% of the UK public support the extension of the current sugar tax to include fruit juices and milkshakes. Milkshakes, smoothies, fruit juices and alcohol mixes are currently exempted from the current tax. Research has found that some beverages, which are exempted, contain a child’s entire recommended daily sugar intake. The sugar tax in the UK, which was introduced two years ago, applies to drinks that contain more than 8g of added sugar per 100ml. Due to the sugar tax, sugar content in drinks in the UK has dropped by 21.6%, which is equivalent to 24 pence per litre.
- **Biofuels International** reported that Romanian sunflower production in the EU-27 is expected to decline compared with the previous year but the EU Commission is still projecting an increase in the overall output in the EU. The high oil content of sunflower seed, often over 40%, makes it as an excellent choice as a biofuel crop. According to an EU Commission forecast, the EU-27 sunflower areas to be harvested this year will likely be around 4.4mil hectares.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	20.1	16.0	14.5	0.8	1.9	2.4	4.1	5.2	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	16.1	13.2	12.1	2.1	3.2	3.9	3.9	4.8	5.3
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	93.6	32.2	23.9	-	0.7	0.9	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	21.1	12.4	11.1	1.2	2.4	2.7	9.3	9.6	9.9
Sampoerna Agro	21.1	12.4	11.1	0.6	0.7	0.7	4.6	7.2	7.7
Sawit Sumbermas	27.3	19.5	40.5	0.2	1.2	0.7	7.8	10.0	4.4
Simple average	33.2	17.6	18.8	1.0	1.7	1.9	5.0	6.2	5.6
Singapore									
Wilmar International	14.5	13.1	11.9	3.0	3.4	3.5	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	17.9	17.9	15.4	2.8	2.8	3.7	0.9	1.6	1.6
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.3	10.1	8.9	2.6	2.9	3.5	10.8	12.1	12.4
Bumitama Agri	10.7	8.8	7.9	4.1	4.9	6.5	10.3	10.7	11.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	12.8	11.7	10.5	3.5	3.8	4.5	7.2	8.0	8.3
Malaysia									
Genting Plantations	43.0	32.8	27.5	1.3	1.6	1.7	4.2	5.2	5.8
IJM Plantations	38.7	26.0	23.2	1.7	2.4	2.4	2.3	4.1	4.6
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	36.6	31.8	28.9	1.8	2.0	2.1	7.9	8.9	9.5
Kuala Lumpur Kepong	29.6	27.4	24.9	2.2	2.3	2.4	7.4	8.2	8.7
Felda Global Ventures	-	38.8	22.4	1.5	2.1	2.3	-0.6	2.5	4.3
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	16.4	13.1	11.7	2.2	2.2	3.0	5.0	6.0	6.9
TH Plantations	152.5	10.9	6.4	0.0	1.0	11.5	2.2	2.9	7.1
TSH Resources	19.4	14.8	13.1	1.7	2.1	2.6	4.1	4.9	5.4
SD Plantation	58.2	42.3	35.6	1.0	1.3	1.6	4.1	6.1	6.8
Sarawak Plantations	13.6	12.5	12.0	3.2	4.8	3.2	4.9	6.2	6.0
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	17.8	13.4	10.0	2.5	3.6	3.9	4.2	5.5	6.4
Jaya Tiasa	-	14.0	10.7	1.0	1.2	-	-	-	-
Hap Seng Plantations	33.3	26.3	23.1	1.8	2.2	2.7	1.7	2.5	2.3
Simple average	41.7	23.4	19.2	1.7	2.2	3.3	3.9	5.2	6.2

Source: Bloomberg

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