



AmInvestment Bank

Sector report

PLANTATION

29 June 2020

News flow for week 22 – 26 June

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **Bloomberg** reported that China plans to accelerate purchases of American farm goods to comply with Phase One of the trade deal with the US following talks in Hawaii last week. China intends to increase purchases of everything from soybean to corn and ethanol after purchases fell behind due to the coronavirus. A source said that China's government has asked state-owned buyers to make efforts to meet Phase One obligations. China purchased only US\$4.65bil worth of US farm goods in 4M2020, meeting only 13% of its commitment of US\$36.5bil.
- In a related development, **Bloomberg** cited Cargill's Brazil CEO as saying that prices will determine China's soybean purchases. He said that Brazil's soybean exports will start slowing in September following a normal trend as US shipments become more competitive. In spite of this, Brazil's export volumes are still expected to be good, with commitments through October and November 2020.
- **Platts** cited USDA (US Department of Agriculture) as saying that the current wet weather in the MidWest could benefit US soybeans in the coming days. The Mid-West, which produces over 90% of US soybeans, had been reeling from dry weather a couple of weeks ago. However, recent wet weather should boost soybean emergence and aid crop conditions. So far, 81% of the planted soybeans have emerged compared with 49% a year ago and the five-year average of 75%. US farmers have planted 93% of the intended soybean areas of 83.5mil acres for the 2020E/2021F season vs. 72% last year and the five-year average of 88%.
- **The Edge Markets** quoted Malaysia's Plantation Industries and Commodities Minister as saying that India intends to import palm oil from Malaysia as it seeks to fulfil 25mil tonnes of vegetable oils for domestic use. This was communicated to the Minister by the state of Telangana's Minister of Agriculture. Telangana is seeking help from Malaysia via the transfer of technology in the areas of palm oil plantation management, palm oil processing and ecosystem of the industry.
- **Reuters** reported that the US Environmental Protection Agency has received 52 new petitions for retroactive biofuel blending waivers that if granted, would help bring oil refiners into compliance with a court ruling. The new pending applications for blending exemptions are for compliance years 2011 to 2018. The waivers exempt oil refiners from biofuel blending. Biofuel advocates says that the waivers hurt demand for corn ethanol while the oil industry says that the obligations are too pricey.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	20.0	16.2	14.3	1.0	1.9	2.4	4.1	5.1	5.4
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	15.9	13.1	11.9	2.2	3.2	3.9	3.9	4.8	5.3
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	107.2	36.9	27.3	-	0.6	0.8	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	21.1	12.4	11.1	1.1	2.3	2.6	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	26.8	19.2	39.8	0.3	1.3	0.8	7.8	10.0	4.4
Simple average	35.3	18.3	19.2	1.0	1.7	1.9	5.0	6.2	5.6
Singapore									
Wilmar International	15.2	13.8	12.5	2.9	3.2	3.4	7.0	7.6	8.0
Olam International	8.2	8.2	8.2	5.4	5.4	5.4	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	18.0	18.0	15.4	2.8	2.8	3.7	0.9	1.6	1.6
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.1	10.0	8.8	2.6	2.9	3.6	10.8	12.1	12.4
Bumitama Agri	10.3	8.4	7.5	4.3	5.1	6.8	10.3	10.7	11.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	12.7	11.7	10.5	3.6	3.9	4.6	7.2	8.0	8.3
Malaysia									
Genting Plantations	42.9	32.7	27.4	1.3	1.6	1.7	4.2	5.2	5.8
IJM Plantations	35.3	23.7	21.2	1.9	2.6	2.6	2.3	4.1	4.6
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	36.4	31.6	28.7	1.8	2.0	2.1	7.9	8.9	9.5
Kuala Lumpur Kepong	29.4	27.2	24.8	2.2	2.3	2.4	7.4	8.2	8.7
Felda Global Ventures	-	39.2	22.7	1.5	2.1	2.3	-0.6	2.5	4.3
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	16.3	13.0	11.6	2.2	2.2	3.0	5.0	6.0	6.9
TH Plantations	150.0	10.7	6.3	0.0	1.0	11.7	2.2	2.9	7.1
TSH Resources	19.9	15.5	13.5	1.7	2.0	2.5	4.1	4.9	5.4
SD Plantation	57.6	41.9	35.3	1.0	1.3	1.6	4.1	6.1	6.8
Sarawak Plantations	13.8	12.7	12.2	3.1	4.7	3.1	4.9	6.2	6.0
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	17.7	13.3	10.0	2.6	3.6	4.0	4.2	5.5	6.4
Jaya Tiasa	-	14.3	10.9	1.0	1.2	-	-	-	-
Hap Seng Plantations	33.6	26.5	23.2	1.8	2.2	2.7	1.7	2.5	2.3
Simple average	41.2	23.3	19.0	1.7	2.2	3.3	3.9	5.2	6.2

Source: Bloomberg

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