



AmInvestment Bank

Sector report

PLANTATION

27 July 2020

News flow for week 20 – 24 July

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **Bloomberg** quoted the China National Grain and Oils Information Center as saying that China's palm imports may hit 550,000 tonnes in July compared with 450,000 tonnes in June. On a yearly basis however, China's palm imports in July 2020 are still lower than the 638,000 tonnes recorded in July 2019. Inventories of palm products, excluding 110,000 tonnes for industrial use, dropped by 30,000 tonnes MoM to 390,000 tonnes at the major ports as at 8 July 2020.
- **Reuters** reported that Malaysia is planning to file a WTO (World Trade Organization) case against the European Union (EU) over its restrictions on palm biofuel, this year. A government official said that Malaysia is adamant and steadfast in taking legal action against the EU over its discrimination against palm oil.
- **Euractive** cited a report in *Science* magazine as saying that one fifth of the beef and soybean exports from Brazil to the EU is produced on land that was illegally deforested. The project leader of the report said that between 18% and 22% of annual exports from Brazil to the EU are the fruit of illegal deforestation. The authors of the report said that two million of soybean grown on the illegally deforested land reaches the EU each year. According to official data, a record 3,700 sq km of the Amazon were deforested in the first half of the year, up 25% from the same period last year.
- **S&P Global** quoted industry experts as saying that the fertiliser sector faces substantial challenges as a weak pricing environment may continue into the next season. Potash producers are being held back by the delayed completion of a benchmark potash supply contract, lower oil prices trickling down to ethanol, and persistent oversupply in the market. Potash producers were optimistic about prices after JSC Belarusian Potash Co inked a new supply contract with buyers in April 2020 at US\$220/tonne. However, the contract which was supposed to be completed in September, was stalled due to a glut in China.
- **The Jakarta Post** reported that Indonesia hopes to conclude negotiations for a trade agreement with the EU next year to bolster the country's economic recovery but policies on palm oil remain a major sticking point. The EU was Indonesia's fourth largest trading partner with bilateral trade worth US\$26.9bil in 2019. The trade negotiations are facing a challenge over palm oil when a document leaked last year, revealing the EU's plan to exclude palm biofuel from the scope of the Renewable Energy Directive (RED II).
- **Bloomberg** reported that Malaysia plans to introduce B30 biodiesel as early as year 2025F. A government official said that the B30 biofuel mandate is subjected to the readiness of blending depots, technical verification by vehicle manufacturers, development of B30 biodiesel standards and engagement with related stakeholders. Recall that Malaysia postponed the implementation of B20 recently due to the Covid-19 outbreak. B20 will only be fully implemented by June 2021.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	21.4	17.8	15.5	0.9	1.7	2.2	4.1	5.1	5.5
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	19.3	16.1	14.8	1.7	2.6	3.1	3.9	4.8	5.2
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	126.4	43.5	32.2	-	0.5	0.6	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	18.2	10.7	9.6	1.2	2.4	2.7	9.3	9.6	9.9
Sampoerna Agro	18.2	10.7	9.6	0.7	0.8	0.8	4.6	7.2	7.7
Sawit Sumbermas	28.5	20.4	42.3	0.2	1.2	0.7	7.8	10.0	4.4
Simple average	38.7	19.9	20.7	1.0	1.5	1.7	5.0	6.2	5.6
Singapore									
Wilmar International	16.5	15.0	13.6	2.9	3.1	3.2	7.0	7.5	8.0
Olam International	7.9	7.9	7.9	5.6	5.6	5.6	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	18.8	18.8	16.1	2.7	2.7	3.6	0.9	1.5	1.6
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.7	10.5	9.4	2.5	2.8	3.4	10.7	12.0	12.0
Bumitama Agri	10.7	9.8	8.6	3.7	4.3	4.8	10.3	10.7	11.4
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	13.3	12.4	11.1	3.5	3.7	4.1	7.2	7.9	8.3
Malaysia									
Genting Plantations	45.2	34.4	28.9	1.2	1.5	1.7	4.2	5.2	5.8
IJM Plantations	43.6	32.7	26.1	1.5	1.6	1.9	2.3	4.5	5.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	37.2	32.6	29.8	1.7	1.9	2.1	7.8	8.9	9.4
Kuala Lumpur Kepong	30.3	28.5	25.9	2.2	2.2	2.3	7.4	8.1	8.6
Felda Global Ventures	-	47.7	27.6	1.2	1.7	1.9	-0.6	2.5	4.3
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	18.4	16.0	14.3	1.8	1.8	2.4	5.0	6.0	6.9
TH Plantations	-	14.4	7.5	2.8	4.2	5.0	-0.7	3.8	7.1
TSH Resources	23.9	18.8	16.7	1.3	1.6	2.0	4.2	5.0	5.5
SD Plantation	59.7	44.9	37.8	0.9	1.2	1.5	4.1	6.1	6.8
Sarawak Plantations	15.0	13.8	13.3	2.9	4.3	2.9	4.9	6.2	6.0
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	20.4	15.4	11.6	2.2	3.1	3.4	4.2	5.5	6.4
Jaya Tiasa	-	16.7	12.7	0.9	1.0	-	-	-	-
Hap Seng Plantations	34.2	28.8	25.2	1.6	2.0	2.5	1.7	2.5	2.3
Simple average	32.8	26.5	21.3	1.7	2.2	2.5	3.7	5.3	6.2

Source: Bloomberg

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