



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 27 – 31 July

NEUTRAL

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Rationale for report: Sector update

- *Bloomberg* reported that Indonesia may miss its biodiesel consumption target this year as Covid-19 reduces the demand for fuel. The country may use about 8.3mil kiloliters (7.2mil tonnes) of palm biodiesel in 2020E vs. the original target of 9.6mil kiloliters (8.4mil tonnes).
- According to *Bloomberg* also, China imported 267,553 tonnes of soybeans from the US in June 2020, down 56% from the 614,806 tonnes recorded in June 2019. In contrast, China's soybean imports from Brazil surged to a record 10.5mil tonnes in June 2020 vs. 5.5mil tonnes a year earlier.
- *Reuters* reported that edible oil refiners in Nepal have stopped buying crude palm oil amid surging domestic stockpiles after India suspended most imports of refined palm oil from Nepal. In May, India suspended 39 import licences to reduce duty-free shipments of refined palm oil from neighbouring countries. According to an industry player, palm oil stockpiles in Nepal have swelled to 70,000 tonnes, overwhelming local demand needs. As a result, Nepal's crude palm imports have plunged to less than 7,000 tonnes per month by mid-June 2020 from around 21,000 tonnes earlier this year.
- According to *Reuters* also, Indonesia's PT Pertamina plans to test the production of jet fuel, made up of 3% palm oil by the end of this year. This came after PT Pertamina announced its first batch of B100 biodiesel production at its Dumai refinery a few weeks ago. The jet fuel will be made in Pertamina's existing facilities in Cilacap, central Java by processing crude oil with 3% RBD palm oil. Pertamina is developing two "biorefineries" in Cilacap and Plaju (southern Sumatra) with an output capacity of 6,000 barrels per day (bpd) and 20,000 bpd to produce diesel and jet fuel made with 100% palm oil.
- *Progressive Farmer, DTN* reported that retail fertiliser prices continued to trend lower in the second week of July 2020. The website quoted Rabobank's research report as saying that potash prices are expected to be influenced by supply contracts in China and India as potash importers in South America and Southeast Asia begin buying. Potash prices in these regions are expected to stabilise slightly above the locked in contracts for China and India.
- *Euractiv* cited a news report by T&E (Transport and Environment, a European NGO), which said that more than half of the used cooking oil (UCO) used in the EU for biodiesel in 2019 were imported (1.5mil tonnes out of 2.8mil tonnes). The biggest share came from China (34%) while another 20% came from Malaysia and Indonesia. According to the report by T&E, the use of UCO for biodiesel in the UK and EU grew from 2.6mil tonnes in 2018 to 2.8mil tonnes in 2019. Last year, the UK and Netherlands launched official investigations into companies, which have been allegedly unsustainable UCO containing palm oil.

Quick Take

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	24.0	19.9	16.4	0.8	1.6	2.2	3.6	4.7	5.4
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	18.1	15.2	14.0	1.8	2.7	3.2	4.0	4.9	5.3
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	120.0	43.4	32.3	-	0.5	0.6	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	10.8	10.1	9.1	1.2	2.4	2.7	10.6	10.7	10.8
Sampoerna Agro	10.8	10.1	9.1	0.8	0.8	0.9	7.1	7.2	7.7
Sawit Sumbermas	28.1	20.1	41.8	0.2	1.2	0.7	7.8	10.0	4.4
Simple average	35.3	19.8	20.4	1.0	1.5	1.7	5.6	6.4	5.8
Singapore									
Wilmar International	18.1	16.4	14.9	2.7	2.8	2.9	7.0	7.5	8.0
Olam International	7.8	7.8	7.8	5.6	5.6	5.6	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	19.0	19.0	16.3	2.6	2.6	3.5	0.9	1.5	1.6
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.8	10.5	9.4	2.5	2.8	3.4	10.7	12.0	12.0
Bumitama Agri	11.2	10.2	9.0	3.5	4.1	4.6	10.3	10.7	11.4
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	13.8	12.8	11.5	3.4	3.6	4.0	7.2	7.9	8.3
Malaysia									
Genting Plantations	43.4	33.1	27.7	1.3	1.5	1.7	4.2	5.2	5.8
IJM Plantations	39.6	29.7	23.7	1.7	1.8	2.1	2.3	4.5	5.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	37.3	32.4	29.5	1.8	2.0	2.1	7.9	8.9	9.5
Kuala Lumpur Kepong	31.5	29.3	26.6	2.1	2.2	2.3	7.4	8.2	8.7
Felda Global Ventures	-	47.3	27.3	1.2	1.7	1.9	-0.6	2.5	4.3
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	18.3	15.9	14.2	1.8	1.8	2.4	5.0	6.0	6.9
TH Plantations	-	14.0	7.3	2.9	4.3	5.1	-0.7	3.8	7.1
TSH Resources	24.1	18.9	16.8	1.3	1.6	2.0	4.2	5.0	5.5
SD Plantation	58.5	44.0	37.1	1.0	1.3	1.5	4.1	6.1	6.8
Sarawak Plantations	14.3	13.2	12.7	3.0	4.5	3.0	4.9	6.2	6.0
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	21.1	16.0	12.0	2.1	3.0	3.3	4.2	5.5	6.4
Jaya Tiasa	-	17.1	13.0	0.8	1.0	-	-	-	-
Hap Seng Plantations	33.8	28.4	24.9	1.7	2.0	2.5	1.7	2.5	2.3
Simple average	32.2	26.1	21.0	1.7	2.2	2.5	3.7	5.4	6.2

Source: Bloomberg

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