



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 1 – 4 September

NEUTRAL

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Rationale for report: Sector update

Quick Take

- *Bloomberg* reported that Indonesia plans to complete the B40 biodiesel performance test in November 2020. Recommendations from the performance test will be proposed to the Energy and Mineral Resources Ministry for use in vehicles. The ministry will test two B40 biodiesel blending formulas on the engine for 1,000 hours, which are equivalent to a road test of 50,000km. The test was supposed to take place in April 2020 but was cancelled due to Covid-10 movement restrictions order.
- *Bloomberg* also said that China is set to buy a record amount of US soybeans this year as lower prices boost purchases pledged under the Phase One trade deal. Soybean imports from the US may reach about 40mil tonnes in 2020E, which would be 25% higher than 2017. 2017 is the base line year for the US-China trade deal. A source said that China will ultimately import 96mil to 98mil tonnes of soybeans globally this year. Out of these, about 40% to 50% are expected to come from the US.
- The *USDA* (US Department of Agriculture) gave an update on the port situation in India as at 28 August 2020. In Mumbai, exports out of Jawaharlal Nehru Port (JNPT) are recovering fast due to renewed rail transport. This has facilitated the movement of goods from the interior of India to the port as trucks are still limited. Also recently, the Minister of Railways and Commerce directed the Dedicated Freight Corridor Corporation to expedite the development of a freight corridor between Dadir, Uttar Pradesh and JNPT.
- According to *Reuters*, a report highlighting the harmful environmental impact of coconut oil production by a researcher with links to the palm oil industry has sparked a heated debate over green credentials in the multibillion dollar industries. A study published in scientific journal *Current Biology* in July 2020 highlighted the impact on native animal species because of coconut oil production deforestation. The paper said that coconut cultivation threatens 18.6 species per million tonnes of oil produced, nearly five times higher than oil palm. In response, the International Coconut Community said that taking into account the whole area and volume of oil production, oil palm is more than three times as threatening as coconut. Estimates by the United Nations Food and Agriculture Organisation and industry analysts place global palm oil production at 75mil tonnes over 20mil hectares and 2.91mil tonnes over 12.01mil hectares for coconut oil production.
- In another *Reuters* report, Brazil was said to have allowed a non-tariff quota for ethanol imports to expire last Monday, which will result in US producers having to pay a 20% tariff unless the Brazilian government takes action. The tax-free import quota was used entirely by US corn ethanol producers and allowed 750mil litres of ethanol to enter Brazil per year. President Bolsonaro's government is facing pressure from the agribusiness sector to not extend the quota and instead, negotiate a deal to include free trade for Brazil's sugar exports to the US.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE			Div yield (%)			ROE (%)		
	(x)								
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	26.6	21.1	17.7	0.7	1.4	2.0	4.0	5.2	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	21.9	17.0	15.8	1.6	1.9	2.6	3.7	4.7	4.9
BW Plantation	-	57.5	14.4	-	0.3	1.4	-8.6	1.3	5.7
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	131.9	47.7	35.5	-	0.4	0.6	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	11.6	10.9	9.9	0.9	1.8	2.0	12.0	13.2	13.0
Sampoerna Agro	11.6	10.9	9.9	0.7	0.8	0.8	5.8	5.9	6.2
Sawit Sumbermas	33.3	24.7	22.2	0.7	1.0	1.1	5.9	7.3	7.6
Simple average	39.5	27.1	17.9	0.9	1.1	1.5	3.3	5.5	6.3
Singapore									
Wilmar International	16.1	14.8	13.3	2.9	3.1	3.3	7.3	7.7	8.1
Olam International	7.6	7.6	7.6	5.8	5.8	5.8	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	52.4	21.0	15.0	2.9	1.9	2.9	-0.4	1.0	1.3
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.8	9.8	8.9	2.7	3.0	3.7	11.0	11.9	11.9
Bumitama Agri	10.4	9.9	8.1	3.8	3.9	4.4	11.3	11.0	12.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	19.7	12.6	10.6	3.6	3.6	4.0	7.3	7.9	8.4
Malaysia									
Genting Plantations	40.6	32.2	26.4	1.3	1.5	1.7	4.5	5.3	6.3
IJM Plantations	40.2	26.6	21.8	1.7	1.9	2.3	2.3	5.1	6.0
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	36.8	31.3	28.9	1.7	2.0	2.1	7.9	9.3	9.7
Kuala Lumpur Kepong	29.1	26.0	24.3	2.2	2.4	2.4	7.6	8.5	8.9
Felda Global Ventures	-	56.4	38.8	1.5	1.9	1.9	-0.4	2.2	3.2
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	16.1	14.5	14.6	2.0	2.0	2.5	6.3	6.9	6.9
TH Plantations	33.5	17.4	10.1	1.6	2.3	4.1	2.1	3.7	6.3
TSH Resources	22.8	18.8	17.3	1.2	1.5	2.0	4.3	4.9	5.5
SD Plantation	54.7	40.9	35.9	1.2	1.4	1.7	5.0	6.4	6.9
Sarawak Plantations	15.6	11.7	12.1	2.8	2.8	2.8	6.5	7.1	6.7
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	18.2	14.0	11.9	2.4	3.2	3.4	4.6	6.0	6.6
Jaya Tiasa	-	18.9	14.1	-	1.5	2.1	-	3.3	-
Hap Seng Plantations	32.1	26.6	24.3	1.9	2.2	2.8	2.5	3.0	3.0
Simple average	30.9	25.8	21.6	1.8	2.1	2.4	4.4	5.5	6.3

Source: Bloomberg

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