



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 7 – 11 September

NEUTRAL

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Rationale for report: Sector update

Quick Take

- *Dow Jones* reported that Mondelez International Inc is tightening sourcing practices on palm oil. Suppliers of Mondelez's palm materials must demonstrate that they can trace the feedstock to oil palm estates and mills and have in place satellite monitoring covering palm concessions. Suppliers must also identify all palm oil mills on Global Forest Watch, a platform created to monitor forests around the world and take more action to stop worker exploitation with supply chains. The company expects 80% of its palm materials to meet the new requirements by 1Q2021.
- *Hellenic Shipping News* cited government data showing that Brazil's soybean exports slumped 41% MoM in August 2020. Sources said that Brazil's soybean farmers are holding on to their crops and waiting on the drought in the US, which has pushed soybean prices up. Due to a weak Brazilian currency, the country has already sold more than 95% of its soybean crops for the current marketing year by 7 August 2020. This was 15 percentage points higher YoY. Brazil has also executed forward contracts for almost 45% of next year's crops, a YoY increase of 20 percentage points.
- Fitch Ratings reported that industrial action at Belaruskali, world's largest potash producer, could reduce exports from Belarus and increase spot prices if the strikes continue for a lengthy period. Other global potash producers could increase their shipments and average realised prices as a consequence. Producers best placed to step in and take on volumes from Belaruskali are Russia's Uralkali and Canpotex (Canada's Nutrien and Mosaic). The global potash market is very concentrated with four large producers i.e. Belaruskali, Nutrien, Uralkali and Mosaic), accounting for almost two-thirds of global production. Belaruskali's market share was around 20% in 2019.
- The *South China Morning Post* said that China has proposed a "soybean industry alliance" with Russia as it seeks to deepen economic ties with Russia. According to analysts, Russia is unlikely to replace the US as a major soybean exporter to China in the short term. Still, the proposed alliance is a gesture to strengthen cooperation with Russia. Currently, Russian soybeans account for less than 1% of China's soybean imports. China consumes an average of 110mil tonnes of soybeans per year but only produces about 16mil tonnes.
- *Reuters* reported that Indonesia plans to revise its CPO export levy as part of moves to fund the biodiesel programme. A government official said that the new levy will depend on export prices. Hence for every US\$/tonne increase in export price, the levy will rise by US\$5/tonne. The government is currently discussing on the details of the new planned rules, including the threshold that will trigger the higher levy.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	22.6	19.1	16.4	0.8	1.7	2.1	4.1	5.2	5.5
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	18.7	15.4	14.4	1.7	2.2	2.8	3.7	4.6	4.8
BW Plantation	-	49.0	12.3	-	0.4	1.6	-8.6	1.3	5.7
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	113.3	41.0	30.5	-	0.5	0.7	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	11.0	10.3	9.4	1.0	2.1	2.3	12.0	13.2	13.0
Sampoerna Agro	11.0	10.3	9.4	0.7	0.8	0.9	5.8	5.9	6.2
Sawit Sumbermas	18.3	15.3	14.2	1.2	1.5	1.6	9.9	10.8	10.7
Simple average	32.5	22.9	15.2	1.1	1.3	1.7	3.9	6.0	6.7
Singapore									
Wilmar International	15.2	14.0	12.6	3.0	3.3	3.5	7.3	7.7	8.1
Olam International	7.4	7.4	7.4	6.0	6.0	6.0	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	52.6	21.0	15.0	2.9	1.9	2.9	-0.4	1.0	1.3
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.7	9.7	8.8	2.7	3.0	3.7	11.0	11.9	11.9
Bumitama Agri	10.3	9.8	8.1	3.8	4.0	4.5	11.3	11.0	12.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	19.4	12.4	10.4	3.7	3.6	4.1	7.3	7.9	8.4
Malaysia									
Genting Plantations	38.4	31.3	26.1	1.4	1.6	1.8	4.4	5.2	6.1
IJM Plantations	37.3	24.7	20.2	1.8	2.1	2.5	2.3	5.1	6.0
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	37.3	31.5	29.3	1.7	2.0	2.1	7.9	9.3	9.7
Kuala Lumpur Kepong	29.3	26.4	24.8	2.2	2.3	2.4	7.7	8.6	8.8
Felda Global Ventures	-	52.3	35.9	1.6	2.1	2.1	-1.5	2.2	3.2
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	14.1	12.7	12.8	2.3	2.3	2.8	6.3	6.9	6.9
TH Plantations	29.2	15.2	8.8	1.8	2.6	4.7	2.1	3.7	6.3
TSH Resources	19.7	16.2	14.9	1.4	1.7	2.3	4.3	4.9	5.5
SD Plantation	51.0	41.1	36.1	1.3	1.4	1.7	5.1	6.4	6.8
Sarawak Plantations	14.8	11.1	11.5	2.9	2.9	2.9	6.5	7.1	6.7
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	17.2	13.2	11.2	2.6	3.4	3.6	4.6	6.0	6.6
Jaya Tiasa	-	17.1	12.7	-	1.7	2.3	-	3.3	-
Hap Seng Plantations	31.7	26.3	24.0	1.9	2.2	2.8	2.5	3.0	3.0
Simple average	29.1	24.5	20.6	1.9	2.2	2.6	4.4	5.5	6.3

Source: Bloomberg

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