



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 5 to 9 Oct

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **Bloomberg** reported that Malaysia's palm planters have condemned the USA's ban on FGV Holdings' products, saying that the move will affect more than 32,000 farmers. The National Association of Smallholders Malaysia called the ban a "reckless act" and said it will worsen palm oil's reputation as it is also facing anti-palm oil campaigns in Europe. The US Customs Order is the result of a year-long investigation that revealed labour abuses, deception, restriction of movement, isolation, intimidation and physical and sexual violence, according to its statement.
- **Reuters** reported that Argentina has temporarily cut soybean export taxes by 3 percentage points to 30% to help stimulate trades. Processed soybean meal and soybean oil levies will temporarily be cut to varying rates starting at around 28% according to a detailed breakdown of the tax rates made available by the Economy Ministry. All of the rates would then rise again incrementally until January 2020. Argentina's CIARA soybean crushing companies' chamber called the tax cut plan insufficient. CIARA said that all export taxes and restrictions on grains and their derivatives are distorting the market. The association would support a schedule for the reduction and elimination of such duties.
- FGV Holdings said that it plans to expand its rubber business to Europe and North America through the appointment of UK-based rubber marketing agency, Rubber Heart Ltd. Rubber Heart will develop strategy to market FGV's technically specified rubber and specialty natural rubber-based materials for the two regions. FGV operates four rubber processing facilities in Malaysia with an annual production of 230,000 tonnes.
- **Bloomberg** cited Brazil's rural economy institute Imea as saying that soybean seeding in Mato Grosso has stalled on dry weather. Seeding was 1.7% completed in Mato Grosso as at two weeks ago, down from 6.7% a year earlier and the five-year average of 9.6%. Also an official with Aprosoja, which is a farm group, said that fieldwork has completely halted as farmers do not want to take risks after forecasts showed that rains may not arrive until 10 October. Seeding delays for soybeans may disrupt the timing for planting cotton and corn after the soybean harvest.
- According to EU's Transport and Environment website, adults in Europe do not want to promote the burning of palm oil or soybean oil in diesel cars and trucks. According to a YouGov poll in seven European countries, 34% of Europeans want to stop the use of palm oil in diesel fuel as soon as possible after being told about EU's decision to phase out palm biodiesel by year 2030F. About 22% want to do it sooner than 2030F. Only 8% opposed EU's decision to end the use of palm oil in power vehicles.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	25.3	21.3	18.6	0.7	1.6	2.0	4.2	5.3	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	19.5	16.1	15.1	1.6	2.2	2.7	3.6	4.4	4.7
BW Plantation	-	46.5	11.6	-	0.4	1.7	-8.6	1.3	5.7
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	112.6	40.7	30.3	-	0.5	0.7	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	10.6	9.9	9.0	0.8	1.9	2.1	11.7	12.8	13.0
Sampoerna Agro	10.6	9.9	9.0	0.8	0.8	0.9	5.8	5.9	6.2
Sawit Sumbermas	18.0	15.0	14.0	1.2	1.5	1.6	9.9	10.8	10.7
Simple average	32.8	22.8	15.4	1.0	1.3	1.7	3.8	5.9	6.7
Singapore									
Wilmar International	16.8	15.6	14.1	2.7	2.9	3.1	7.5	7.7	8.0
Olam International	8.0	7.5	7.5	5.9	5.9	5.9	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	106.8	26.7	15.3	2.8	1.9	2.8	-1.1	0.7	1.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.1	9.9	8.8	2.6	3.0	3.7	10.6	11.6	11.8
Bumitama Agri	10.0	9.5	7.8	3.9	4.1	4.6	11.3	11.0	12.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	30.7	13.8	10.7	3.6	3.6	4.0	7.1	7.8	8.3
Malaysia									
Genting Plantations	39.0	31.5	26.1	1.3	1.5	1.7	4.4	5.2	6.1
IJM Plantations	34.7	22.9	18.8	1.9	2.2	2.7	2.3	5.1	6.0
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	36.2	30.6	28.2	1.8	2.1	2.2	7.9	9.4	9.8
Kuala Lumpur Kepong	28.9	26.0	24.6	2.2	2.3	2.4	7.7	8.6	8.8
Felda Global Ventures	-	48.2	33.1	1.7	2.3	2.3	-0.4	2.2	3.2
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	14.5	13.0	13.2	2.2	2.3	2.7	6.3	6.9	6.9
TH Plantations	33.8	17.6	10.2	1.6	2.3	4.1	2.1	3.7	6.3
TSH Resources	20.9	17.2	15.8	1.3	1.6	2.1	4.3	4.9	5.5
SD Plantation	50.7	41.1	36.1	1.3	1.4	1.7	5.1	6.3	6.8
Sarawak Plantations	16.5	12.3	12.7	2.6	2.6	2.6	6.5	7.1	6.7
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	17.3	13.3	11.3	2.5	3.4	3.6	4.6	6.0	6.6
Jaya Tiasa	-	18.8	14.0	-	1.5	2.1	-	3.3	-
Hap Seng Plantations	30.9	25.6	23.4	2.0	2.3	2.9	2.5	3.0	3.0
Simple average	29.4	24.5	20.6	1.9	2.1	2.5	4.4	5.5	6.3

Source: Bloomberg

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