



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 9 to 13 Nov

NEUTRAL

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Rationale for report: Sector update

Quick Take

- The USDA (US Department of Agriculture) has released its monthly demand and supply projections for vegetable oils. The USDA has reduced its forecast of US soybean inventory for 2020E/2021F by 34.5% to 190.0mil from 290.0mil bushels. The downward revision in forecast was mainly due to a lower assumption of soybean yield of 50.7 bushels per acre vs. 51.9 bushels per acre previously. Comparing 2020E/2021F against 2019/2020E, US soybean inventory is expected to plunge to 190.0mil from 523.0mil bushels.
- Following lower estimates of US soybean stockpiles, global inventory of soybean is anticipated to be 86.52mil tonnes in 2020E/2021F vs. 95.34mil tonnes in 2019/2020E. Higher exports and domestic crushing activities are envisaged to compensate for the increase in global soybean production in 2020E/2021F. Global exports are estimated to rise by 1.9% in 2020E/2021F while domestic crushing activities are envisaged to improve by 4.1%.
- *Bernama* reported that the Ministry of Plantation Industries and Commodities is ready to accept any technological innovation including blockchain technology as long as it meets the traceability requirements of the country's palm oil industry. Minister Datuk Mohd Khairuddin Aman Razali also said that as at 21 October 2020, about 88% of the oil palm plantation areas covering 5.19mil hectares and 421 of the 452 palm oil mills, have been MSPO certified.
- *S&P Global Platts* reported that China's soybean imports in October surged 41% YoY as the country's recovery from the African swine fever supported the demand for animal feed. According to the China's customs report released on 7 November 2020, China imported 8.69mil tonnes of soybeans in October. Also, according to the latest Agricultural Ministry of China's report, the country's pig herd increased by 31.3% YoY, while the sow herd rose by 37% YoY in August. Based on a Chinese government survey, the sow inventory has reached 80% of its pre-African swine fever levels.
- *Biofuels International* said that Japan Airlines (JAL) will use biofuels made from general rubbish in a few years' time as part of its efforts to cut carbon emissions. JAL will use recycled aviation fuel produced by US company Fulcrum BioEnergy Inc. JAL will introduce it on a regular basis from April 2022 at the earliest. Neste and All Nippon Airways (ANA) have also entered into a sustainable aviation fuel supply agreement. The partnership will see ANA becoming the first airline to use sustainable aviation fuel on flights departing from Japan and represents Neste's first sustainable aviation fuel to an Asian airline.
- *Reuters* reported that big questions remain over how a Joe Biden administration might administer the nation's biofuel law and the US Renewable Fuel Standard (RFS). The stakes are high for both the farming and oil refining industries. Under the RFS, refiners are required to blend billions of gallons of ethanol and other biofuels into their fuel each year or buy credits from those who do. After the coronavirus outbreak, US fuel demand tanked and has since struggled to recover, leading the refining industry and political backers to ask that the RFS standards for 2020E be relaxed. Biden has not said how his administration would handle such requests, which save the refining industry money but infuriate the corn and ethanol industries. Biden also has not said how he would deal with the mandate for 2021F.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	24.1	21.5	22.2	0.6	1.6	1.8	4.4	5.1	5.3
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	22.8	18.9	17.8	1.4	1.8	2.3	3.6	4.4	4.6
BW Plantation	-	34.3	12.9	-	0.5	1.6	-16.7	2.1	2.2
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	15.3	10.3	8.7	0.8	1.0	1.7	9.7	12.9	13.6
Sampoerna Agro	10.5	9.9	8.9	0.8	0.8	0.9	5.8	5.9	6.2
Sawit Sumbermas	20.8	14.5	13.3	1.2	1.0	1.7	9.3	12.3	12.1
Simple average	18.7	18.2	14.0	1.0	1.1	1.7	2.7	7.1	7.3
Singapore									
Wilmar International	14.9	14.0	12.9	4.0	3.4	3.6	8.0	8.1	8.3
Olam International	8.6	8.1	8.1	5.4	5.4	5.4	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	-	22.1	18.4	3.6	2.7	3.6	-1.0	0.8	1.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.9	10.0	8.7	2.4	2.9	3.2	10.8	11.8	12.0
Bumitama Agri	9.9	9.6	9.0	4.3	4.4	4.6	11.5	11.1	11.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	11.3	12.8	11.4	4.0	3.8	4.1	7.3	7.9	8.1
Malaysia									
Genting Plantations	38.0	31.1	26.4	1.4	1.5	1.6	4.5	5.2	6.1
IJM Plantations	40.0	2.3	21.4	1.7	1.9	2.3	2.3	5.2	6.1
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	38.0	31.7	29.4	1.7	2.0	2.1	7.9	9.5	9.8
Kuala Lumpur Kepong	29.7	26.1	25.1	2.1	2.3	2.3	7.7	8.7	8.8
Felda Global Ventures	-	48.3	32.2	1.7	2.2	2.5	0.6	2.8	4.0
Kulim	0.0	1.0	2.0	4.0	5.0	6.0	4.0	5.0	6.0
Sarawak Oil Palms	15.3	13.8	14.2	2.1	2.1	2.5	6.5	7.0	7.0
TH Plantations	39.6	20.6	12.0	1.4	1.9	3.5	2.1	3.7	6.3
TSH Resources	21.6	18.3	16.3	1.3	1.5	1.9	4.5	5.2	5.7
SD Plantation	51.0	41.9	37.1	1.3	1.3	1.6	5.2	6.4	6.8
Sarawak Plantations	17.2	13.2	12.6	2.5	2.9	3.4	6.4	7.2	7.4
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	19.1	15.8	12.4	2.3	3.1	3.2	4.7	6.1	6.6
Jaya Tiasa	-	21.3	15.9	-	1.4	1.9	-	3.3	-
Hap Seng Plantations	34.1	28.3	26.3	1.8	2.1	2.6	2.6	3.0	3.0
Simple average	28.6	22.4	20.2	1.9	2.2	2.7	4.5	5.6	6.4

Source: Bloomberg

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