



AmInvestment Bank

## Sector report

# PLANTATION

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News flow for week 4 to 8 Jan

**NEUTRAL**

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Rationale for report: Sector update

Quick Take

- According to *Reuters*, Malaysia will delay the nationwide rollout of its B20 palm biodiesel mandate to early-2022F to prioritise on the economy, which has been battered by the Covid-19 pandemic. Ravi Muthayah, secretary general of the Plantation Industries and Commodities Ministry said that the country has limited resources and must identify priorities.
- *Reuters* reported that Chinese imports of US soybeans in November more than doubled from the previous year as cargoes booked following a Phase 1 trade deal between the US and China arrived in the country. China brought in 6.04mil tonnes of soybeans from the US in November, up 136% from 2.56mil tonnes a year ago. The November shipments were also up from 3.4mil tonnes in October when US soybeans started to dominate in 4Q2020. A trader with a major trading house said that supplies of soybeans will be ample but demand will also be strong in 4Q2020 and going into 1Q2021.
- *Globe Newswire* quoted Intrepid Potash Inc. as saying that potash prices in the agricultural markets have increased by US\$90/tonne or 31% above the 2020 summer-fill pricing. Current potash price in the agricultural markets is US\$65/tonne above the January 2020 winter-fill price. Intrepid Potash's CEO said that a strong agricultural commodity environment across a wide range of crops that includes corn, soybeans, wheat, cotton, coffee and sugar combined with a reduced potash supply has driven the improvements in the fertiliser market in recent weeks.
- *S&P Global Platts* said that a high sugar price in Brazilian real equivalent and the fuel ethanol demand uncertainties in year 2021F are expected to encourage producers to keep maximising sugar production to supply a deficit global market. Brazil was a consistent sugar supplier in year 2020, increasing its production by more than 44.2%. Brazilian producers shifted to higher sucrose levels in sugar production due to the higher sugar profitability in the export markets compared with ethanol in the domestic market. Brazilian producers have the ability to shift the sugar cane towards sugar or ethanol production and usually, the production decision can be made a few weeks before cane crushing.
- *Reuters* reported that the Indonesian Palm Oil Association (GAPKI) would ask the Indonesia government to reformulate its biodiesel blending rates or revise the export levy if palm oil prices continue their meteoric rise. Togar Sitanggang, vice chairman of GAPKI said that the export levy may need to be reformulated because the spread between diesel and CPO is getting wider. He added that Indonesia's biodiesel consumption is expected to rise to 8mil tonnes in 2021F from 7.2mil tonnes in 2020.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F
<b>Indonesia</b>									
PT Astra Agro	29.1	24.0	23.1	0.8	1.5	1.7	4.4	5.2	5.3
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	25.7	20.6	21.1	1.2	1.7	2.1	4.4	5.3	5.2
BW Plantation	-	51.3	-	-	0.3	-	-16.7	2.1	2.2
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	32.3	32.3	-	-	-	-0.2	1.2	1.2
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	29.6	16.6	12.5	0.7	1.3	1.8	7.6	10.9	12.7
Sampoerna Agro	16.4	10.8	9.5	0.5	0.8	0.9	4.5	6.4	7.0
Sawit Sumbermas	31.6	18.9	15.9	0.6	0.8	1.4	9.4	14.0	14.6
<b>Simple average</b>	<b>26.5</b>	<b>24.9</b>	<b>19.1</b>	<b>0.8</b>	<b>1.1</b>	<b>1.6</b>	<b>1.9</b>	<b>6.5</b>	<b>6.9</b>
<b>Singapore</b>									
Wilmar International	17.7	16.5	15.3	3.3	2.8	2.9	8.0	8.2	8.3
Olam International	9.6	9.1	9.1	4.9	4.9	4.9	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	-	26.6	26.6	1.5	3.0	3.0	-0.9	0.8	1.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	13.7	11.9	10.9	2.1	2.4	2.5	11.3	11.6	11.5
Bumitama Agri	11.0	10.8	10.0	3.9	4.0	4.1	11.5	11.1	11.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
<b>Simple average</b>	<b>13.0</b>	<b>15.0</b>	<b>14.4</b>	<b>3.1</b>	<b>3.4</b>	<b>3.5</b>	<b>7.5</b>	<b>7.9</b>	<b>8.0</b>
<b>Malaysia</b>									
Genting Plantations	34.8	29.7	27.3	1.5	1.7	1.7	4.6	5.2	5.7
IJM Plantations	41.6	19.3	18.7	1.6	1.8	2.2	2.3	6.8	7.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	37.5	29.6	28.3	1.7	2.0	2.1	7.9	9.8	10.0
Kuala Lumpur Kepong	30.5	26.7	25.9	2.1	2.3	2.3	7.7	8.7	8.5
Felda Global Ventures	34.9	29.3	22.6	1.6	2.0	2.2	4.0	4.6	6.0
Kulim	0.0	1.0	2.0	4.0	5.0	6.0	4.0	5.0	6.0
Sarawak Oil Palms	11.2	12.8	12.7	2.6	2.4	2.8	9.9	9.1	7.9
TH Plantations	17.7	14.5	13.5	0.0	-	-	4.2	5.6	6.0
TSH Resources	21.5	19.0	17.5	1.3	1.5	1.7	4.9	5.3	5.6
SD Plantation	43.3	37.6	36.3	1.5	1.5	1.6	6.2	6.6	7.0
Sarawak Plantations	11.9	11.3	12.6	2.2	3.3	2.2	9.2	8.0	7.8
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	13.9	12.5	12.1	3.5	3.4	3.4	6.3	6.7	6.6
Jaya Tiasa	-	9.6	12.5	-	3.2	2.4	-	-	-
Hap Seng Plantations	23.1	21.4	25.4	2.6	2.7	2.7	3.8	3.8	3.8
<b>Simple average</b>	<b>24.7</b>	<b>19.6</b>	<b>19.1</b>	<b>2.0</b>	<b>2.5</b>	<b>2.6</b>	<b>5.8</b>	<b>6.6</b>	<b>6.8</b>

Source: Bloomberg

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