



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 8 to 12 Feb

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 2020/2021F forecast of US soybean inventory to 120mil from 140mil bushels on the back of slightly higher exports of 2,250mil bushels vs. 2,230mil bushels previously. Comparing 2020/2021F against 2019/2020, US soybean inventory is expected to fall to 120mil from 525mil bushels mainly due to a 33.8% increase in exports and lower carry-over stockpiles from the previous season.
- On the back of lower US soybean inventory, the USDA has revised its estimate of global soybean stockpiles downwards to 83.4mil from 84.3mil tonnes for 2020/2021F. Although global soybean production is envisaged to expand by 7.3% to 361.1mil tonnes in 2020/2021F, global soybean inventory is anticipated to fall by 12.1% to 83.4mil tonnes. This is due to higher crushing and export activities. US soybean output is estimated to increase by 16.4% to 112.6mil tonnes in 2020/2021F while soybean production in Brazil is forecast to climb by 5.6% to 133.0mil tonnes. In Argentina, soybean output is expected to inch down by 1.6% to 48.0mil tonnes in 2020/2021F.
- *Reuters* reported that major palm oil buyers are seeking to block FGV Holdings and Sime Darby Plantations from their global supply chain after the US banned imports from the two producers. US food company, General Mills has issued global “No Buy Orders” for both of the companies. Sources said other buyers have also requested suppliers to reduce or exclude FGV and Sime products for supplies entering not only into the US but also Europe, Australia and Japan. However, not all companies have moved quickly to remove Sime Darby Plantations from their supply chain. Kraft Heinz, Nestle and Unilever said they were in discussions with Sime on the US allegations.
- According to *Reuters* also, US farmers are signing contracts to sell corn and soybean that will be harvested in autumn, months before that they have even been planted. This is to take advantage of boom times after years of oversupply, trade wars and low prices. Some farmers are waiting to sell later, betting on even higher prices. Many farmers are optimistic, pointing to robust demand and lingering concerns about dry soils and uncertainty over South American crops.
- *Bernama* reported that Malaysia may allow the plantations and commodities ministry to hire foreign workers when the Covid-19 pandemic in the sector is brought under control. For now, the government is trying to ensure plantation firms provide the necessary accommodation for workers to comply with Covid-19 standard operating procedures.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F
Indonesia									
PT Astra Agro	25.6	20.0	19.4	1.0	1.7	2.0	4.4	5.6	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	23.1	19.1	19.5	1.3	1.9	2.2	4.6	5.4	5.3
BW Plantation	-	41.3	-	-	0.4	-	-16.7	2.1	2.2
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	30.9	30.9	-	-	-	-0.2	1.2	1.2
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	25.1	15.3	11.1	0.9	1.4	2.1	7.5	10.6	12.8
Sampoerna Agro	16.5	10.9	9.6	0.5	0.7	0.9	4.5	6.4	7.0
Sawit Sumbermas	27.7	16.7	14.0	0.7	0.9	1.6	9.4	13.9	14.5
Simple average	23.6	22.0	17.4	0.9	1.2	1.8	1.9	6.5	6.9
Singapore									
Wilmar International	18.2	17.1	15.9	2.9	2.5	2.6	8.4	8.4	8.6
Olam International	9.9	9.3	9.3	4.7	4.7	4.7	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	-	12.6	13.9	2.2	2.9	2.9	-0.1	3.4	3.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	13.5	10.2	9.8	2.3	2.3	2.3	11.9	12.6	11.5
Bumitama Agri	10.2	9.9	9.2	4.2	4.3	4.5	11.5	11.1	11.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	12.9	11.8	11.6	3.3	3.4	3.4	7.9	8.9	8.5
Malaysia									
Genting Plantations	34.4	28.7	26.5	1.6	1.7	1.7	4.7	5.3	5.7
IJM Plantations	36.4	16.6	16.4	1.8	2.1	2.5	2.3	6.8	7.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	35.5	27.5	26.0	1.8	2.3	2.3	7.9	10.1	10.5
Kuala Lumpur Kepong	29.5	24.4	23.9	2.1	2.3	2.5	7.7	9.4	9.3
Felda Global Ventures	38.2	29.5	22.8	1.8	2.1	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	10.8	12.4	12.3	2.7	2.5	2.9	9.9	9.1	7.9
TH Plantations	15.2	12.4	11.5	0.0	-	-	4.2	5.6	6.0
TSH Resources	20.0	17.7	16.1	1.4	1.6	1.8	5.0	5.5	5.8
SD Plantation	37.2	34.1	35.8	1.6	1.9	2.0	6.5	8.4	8.1
Sarawak Plantations	10.9	10.4	11.5	2.4	3.6	2.4	9.2	8.0	7.8
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	13.1	11.7	11.4	3.8	3.6	3.7	6.3	6.7	6.6
Jaya Tiasa	-	8.4	10.9	-	3.0	2.6	-	7.8	5.7
Hap Seng Plantations	22.6	21.2	24.8	2.6	2.7	2.7	3.8	3.8	3.8
Simple average	23.4	18.3	18.0	2.1	2.6	2.7	5.8	6.9	6.9

Source: Bloomberg

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