



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 15 to 19 Feb

NEUTRAL

Gan Huey Ling, CFA

gan-huey-ling@ambankgroup.com

03-2036 2305

Rationale for report: Sector update

Quick Take

- At the annual Ag Outlook Forum last week, the USDA projected that US farmers would be planting more corn and soybean this year compared to previous years. The USDA forecasts corn plantings to be 92mil acres in 2021F vs. 89.7mil acres in 2020. US soybean plantings are estimated to be 90mil acres in 2021F compared with 76.1mil acres in 2020.
- *Bloomberg* quoted an industry expert as saying that India's palm imports are expected to plummet in February 2021 as elevated global prices dampen demand. Inbound shipments may slump to 450,000 tonnes to 500,000 tonnes in February, according to GG Patel, managing partner of GGN Research. In comparison, India's palm imports were 780,741 tonnes in January 2021 and 540,470 tonnes in February 2020. He added that there is a disparity between local and international prices. Domestic prices are 5,000 rupees (US\$68.70) to 6,000 rupees per tonne cheaper than global prices currently.
- *Reuters* reported that harvesting delays in Brazil are prompting buyers led by China rely on the US for longer than usual in 2021F. Brazil usually harvests its soybeans in the first three months of the year. However, that process has been delayed by a drought, which slowed plantings last year and rainfall, which affected harvesting. Brazilian trade data showed that the country's shipments of soybeans of 49,500 tonnes in January 2021 were 28 times lower than a year before. This amount is insufficient to fill up a single vessel. In contrast according to USDA data, the US inspected some 8.9mil tonnes for shipments in January 2021.
- *The Star Online* reported that Vietnam plans to impose anti-dumping duties on raw sugar that originates in Thailand amid claims that soaring imports are undermining its domestic sugar industry. The Vietnamese industry and trade ministry said that a 38.88% levy would apply on Thai sugar. However, a timeframe on when it will be implemented has not been decided yet. The ministry's preliminary investigation showed that dumping of subsidised sugar from Thailand surged to 1.3mil tonnes in 2020, up 330.4% from 2019.
- According to *Reuters*, which quoted Rosario Grains Exchange, abundant rains in recent weeks in Argentina have lifted forecasts for soybean and corn harvests. The exchange has raised its forecast for the 2020/2021F soybean harvest to 49mil tonnes vs. 47mil tonnes previously and for corn, to 48.5mil from 46mil tonnes earlier. The exchange said that the rains in recent weeks have been a "turning point" in the season and banished fears about a repeat of the 2018 drought, which caused massive crop losses.
- *Bangkok Post* reported that a plan to make gasohol E20 the primary fuel for motorists in July 2021 has been postponed indefinitely because of high biofuel prices. The Oil Fuel Fund Administration Office, which subsidises gasohol and biodiesel, found prices of ethanol and palm-based methyl ester have increased for many years, exceeding even those for pure gasoline and diesel. The reference price of ethanol, which is made from sugar and cassava, stood at 24.83 baht per litre on 12 February compared with 13.83 baht per litre for the ex-refinery price of gasoline.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F
Indonesia									
PT Astra Agro	24.7	19.2	18.7	1.0	1.8	2.1	4.4	5.6	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	22.2	18.3	18.7	1.3	2.0	2.3	4.6	5.4	5.3
BW Plantation	-	40.3	-	-	0.4	-	-16.7	2.1	2.2
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	31.1	31.1	-	-	-	-0.2	1.2	1.2
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	24.4	14.9	10.8	0.9	1.5	2.2	7.5	10.6	12.8
Sampoerna Agro	16.7	11.0	9.7	0.5	0.7	0.9	4.5	6.4	7.0
Sawit Sumbermas	24.4	14.7	12.3	0.8	1.0	1.8	9.4	13.9	14.5
Simple average	22.5	21.4	16.9	0.9	1.2	1.8	1.9	6.5	6.9
Singapore									
Wilmar International	18.5	17.4	16.2	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	-	13.0	14.2	2.1	2.8	2.8	-0.1	3.4	3.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	13.8	10.4	10.1	2.3	2.3	2.3	11.9	12.6	11.5
Bumitama Agri	10.6	10.3	9.6	4.1	4.1	4.3	11.5	11.1	11.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	13.2	12.1	11.9	3.2	3.3	3.3	7.9	8.9	8.5
Malaysia									
Genting Plantations	33.6	28.1	26.0	1.7	2.1	2.2	4.7	5.3	5.7
IJM Plantations	39.3	17.9	17.7	1.7	1.9	2.3	2.3	6.8	7.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	35.3	27.4	25.9	1.8	2.3	2.4	7.9	10.1	10.5
Kuala Lumpur Kepong	29.6	23.2	23.2	2.1	2.5	2.6	7.7	9.7	9.6
Felda Global Ventures	38.5	29.8	23.0	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	11.1	12.7	12.6	2.6	2.4	2.8	9.9	9.1	7.9
TH Plantations	16.9	13.8	12.9	0.0	-	-	4.2	5.6	6.0
TSH Resources	20.0	16.4	16.1	1.4	1.6	1.9	5.1	5.6	5.9
SD Plantation	36.9	33.4	35.1	1.7	1.8	1.8	6.5	7.8	7.5
Sarawak Plantations	11.3	10.7	11.9	2.3	3.5	2.3	9.2	8.0	7.8
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	13.5	12.1	11.8	3.6	3.5	3.5	6.3	6.7	6.6
Jaya Tiasa	-	9.0	11.7	-	2.8	2.4	-	7.8	5.7
Hap Seng Plantations	23.8	22.4	26.2	2.5	2.6	2.6	3.8	3.8	3.8
Simple average	23.8	18.4	18.3	2.1	2.6	2.7	5.8	6.9	6.9

Source: Bloomberg

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