



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 29 Mar to 2 Apr

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **Bloomberg** reported that the world's biggest agricultural commodity traders are gearing up to profit from a boom in the American renewable diesel industry. Cargill is investing US\$475mil to boost its capacity to process soybeans. Archer-Daniels-Midland and Bunge Ltd are working on making plants more efficient while Andersons Inc has set up a desk to trade feedstock for green fuel. The traders are targeting the growing market as American refiners such as Philips 66 and Marathon Petroleum Corp jump on the green diesel bandwagon.
- **Bloomberg** also reported that palm purchases by India will probably jump 11% this year as a relatively faster rise in competing cooking oils prompt users to switch to palm oil. According to a **Bloomberg** survey, India's palm imports may climb to eight million tonnes in the year ending October 2021. However, overall edible oil use is seen to be little changed at 21.3mil tonnes in 2021F as inbound shipments of expensive sunflower oil and soybean oil drop. According to the same survey, soybean oil imports may fall to 3.25mil tonnes in 2020/2021F from 3.38mil tonnes a year earlier while sunflower oil purchases may decline to 1.75mil tonnes from 2.52mil tonnes.
- **Worldgrain.com** cited a USDA report as saying that in spite of the Indonesia government's plan to increase soybean production, the country's soybean output is forecast to be lower in 2021F/2022F compared with the previous season. The USDA estimates Indonesia's soybean production to be 425,000 tonnes in 2021F/2022F vs. 475,000 tonnes in 2020/2021F as farmers switch to more lucrative crops like corn and rice. Indonesia's Ministry of Agriculture had proposed to increase soybean production by 500,000 tonnes between July 2020 and September 2021 based on new planting areas of up to 325,000ha in six provinces.
- **theSun** newspaper quoted Sumvin Group CEO UR Unnithan as saying that demand for palm biodiesel from the EU might disappear before the end of the 2030F deadline for the implementation of Renewable Energy Directive II. The directive's indirect land usage change (ILUC) risk criteria says that the global production area of the feedstock should not increase by more than 1.0% annually and more than 100,000ha after 2008. Also, not more than 10% of such expansion can take place on land with high carbon stock. The EU said that palm oil does not meet the criteria and hence, it will be phased out.
- **Reuters** reported that the US Environmental Protection Agency is finalising a proposal to extend the deadline for oil refiners to prove their compliance with the country's biofuel blending laws for 2019 and 2020. The agency said that refiners will now have until 31 January 2022 to submit compliance documentation for year 2020 while small refiners have until 30 November 2021 to submit documentation for year 2019.
- The **Malay Mail** reported that the Sarawak Oil Palm Plantation Owners Association (SOPPOA) concurs with the Malaysian Palm Oil Association about many locals shunning the opportunity to work in the palm oil sector even with good wages being offered. It is because of this that the industry has no option but to hire foreigners. SOPPOA said that the majority of Malaysians employed in the palm oil industry are in the management and staff levels while the foreign workers are in the field operations.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Indonesia									
PT Astra Agro	15.3	15.3	14.4	2.0	2.9	2.7	6.6	6.3	6.5
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	12.8	12.5	12.1	2.6	3.0	3.5	7.3	7.2	7.1
BW Plantation	38.7	-	-	0.4	-	-	2.1	2.2	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	11.1	10.4	8.5	1.7	2.1	3.3	9.9	11.0	10.5
Sampoerna Agro	11.0	9.7	-	0.7	0.9	-	6.4	7.0	-
Sawit Sumbermas	13.9	11.7	-	1.1	1.9	-	13.9	14.5	-
Simple average	17.1	11.9	11.7	1.4	2.2	3.1	7.7	8.0	8.1
Singapore									
Wilmar International	16.0	15.2	14.4	2.7	2.9	2.9	8.3	8.4	8.5
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	7.3	7.3	5.1	5.3	5.3	6.6	9.5	9.0	8.4
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	9.2	9.1	9.2	3.6	3.8	4.8	13.6	12.5	12.4
Bumitama Agri	9.3	7.7	7.3	4.2	5.0	5.1	10.7	12.0	11.6
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	10.4	9.8	9.0	3.9	4.2	4.8	10.5	10.5	10.2
Malaysia									
Genting Plantations	25.7	25.4	31.5	1.9	1.9	2.1	5.8	5.8	5.5
IJM Plantations	13.3	13.6	12.3	2.0	2.5	2.9	8.0	8.1	8.4
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	26.6	25.1	24.2	2.3	2.4	2.5	10.7	10.6	10.7
Kuala Lumpur Kepong	23.1	22.9	23.2	2.5	2.6	2.4	9.6	9.5	9.2
Felda Global Ventures	19.3	18.8	22.5	2.3	2.3	2.6	5.5	5.0	3.5
Kulim	1.0	2.0	3.0	5.0	6.0	7.0	5.0	6.0	7.0
Sarawak Oil Palms	9.5	12.3	11.4	2.8	2.7	3.0	9.7	8.1	8.1
TH Plantations	10.8	11.3	14.3	-	-	-	6.5	6.3	4.6
TSH Resources	18.0	15.1	15.6	1.6	2.0	2.0	5.6	5.8	5.3
SD Plantation	27.5	29.1	30.2	2.2	2.1	2.1	8.3	7.5	8.0
Sarawak Plantations	8.9	12.9	12.9	3.2	2.2	2.2	10.9	7.8	7.5
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	12.2	11.9	11.0	4.2	4.2	4.6	7.1	6.8	7.1
Jaya Tiasa	7.4	9.6	11.3	4.1	3.1	11.5	6.6	-	-
Hap Seng Plantations	17.1	18.3	21.8	4.0	3.8	3.4	4.0	4.0	3.4
Simple average	15.8	16.3	17.5	2.9	2.9	3.7	7.4	7.0	6.8

Source: Bloomberg

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