



AmInvestment Bank

Sector report

PLANTATION

3 May 2021

News flow for week 26 to 30 Apr

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **Bloomberg** cited Indonesian Trade Minister Muhammad Lufti as saying that trade between India and Indonesia is uninterrupted despite surging coronavirus cases in India. Indonesia will ensure quarantine measures at ports are enforced on the crew and not on ships or its goods. Shipments of palm oil and coal do not require physical contact with the crew as the goods are transported in tankers and barges. Palm products are mostly loaded to the vessels through pipes.
- **Bloomberg** also reported that the Malaysian Palm Oil Board (MPOB) has signed agreements with four local companies to commercialise oil palm-related technologies on fertiliser formulations, plantation mechanization and palm-based polyols. The MPOB has collaborated with FGV Fertiliser Sdn Bhd to produce a fertiliser formulation that helps oil palm trees increase nutrient uptake and productivity of fresh fruit bunches. The MPOB has also signed pacts to commercialize a lightweight three-wheeled utility vehicle that can reduce manual labour for pesticide spraying and a machine that uses a suction nozzle to collect loose palm fruits in the oil palm estates.
- According to **Bloomberg** also, a soybean seed that can produce more oil than normal is in the works by a California start-up, just in time to help meet accelerating demand for renewable diesel. ZeeKal has new data showing its soybeans can boost the protein and oil in seeds, without reducing yield. The majority of soybean's contents goes towards soybean meal, which includes the bean's protein, carbohydrates and minerals. About a fifth of the bean typically goes towards the oil, according to the National Oilseed Processors Association.
- **Eurativ.com** said that a new report has found that the imports of used cooking oil intended for the decarbonisation of EU transport are expected to significantly rise. The report has also called on the EU to put limits on its use due to its controversial origin and hidden links to palm oil. Used cooking oils are considered waste-based and are double-counted under the EU's renewable energy directive to decarbonise the EU's transport sector. But the current directive does not distinguish between domestically collected oils and those imported from other countries. According to a report published by environmental NGO Transport and Environment, China supplies more than a third of the EU's used cooking oil imports while almost a fifth comes from Malaysia and Indonesia, combined.
- **Pakistan Observer** reported that the country's palm oil imports increased by 34.8% in the first three quarters of the current fiscal year vs. the same period last year. Palm oil imports during the July 2020 to March 2021 period amounted to US\$1.86bil against the imports of US\$1.38bil during the same period last year, according to the Pakistan Bureau of Statistics. In terms of quantity, Pakistan imported 2,443,293 tonnes of palm oil during the period under review as compared to the imports of 2,277,022 tonnes last year.
- **ICIS** said that top US biofuel advocates reacted positively to President Joe Biden's announcement to reduce carbon emissions in the US by 50% to 52% below their 2005 levels by year 2030F. Biofuels can be made of ethanol and biomass-based diesel fuels. The use of ethanol as a biofuel would push rural areas in the US forward economically with the addition of new green jobs. The biofuels industry employs more than 360,000 Americans, with a significant number of the employees residing in rural America, according to US trade association Growth Energy.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Indonesia									
PT Astra Agro	14.4	14.3	13.5	1.9	2.6	2.3	6.6	6.1	7.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	12.7	12.9	12.5	2.6	3.0	3.5	7.1	7.0	7.0
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	11.9	10.7	9.1	1.9	2.3	3.0	9.1	10.0	10.1
Sampoerna Agro	11.9	10.5	-	0.7	0.8	-	4.1	7.0	-
Sawit Sumbermas	12.3	10.1	-	1.9	2.1	-	14.3	15.3	-
Simple average	17.0	11.7	11.7	1.6	2.2	3.0	7.2	7.9	8.2
Singapore									
Wilmar International	15.5	14.8	14.0	2.8	2.9	3.0	8.4	8.5	8.6
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	7.0	5.4	7.5	4.8	4.2	4.2	6.7	5.7	6.3
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	10.1	10.0	10.1	3.4	3.7	4.4	13.8	12.6	12.5
Bumitama Agri	8.8	7.7	7.1	4.2	5.0	5.2	11.0	11.7	11.8
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	10.3	9.5	9.7	3.8	4.0	4.2	10.0	9.6	9.8
Malaysia									
Genting Plantations	22.0	21.4	23.7	2.4	2.4	2.8	6.7	6.9	6.8
IJM Plantations	14.3	14.1	13.1	1.9	2.3	2.7	7.9	8.3	8.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	25.4	24.0	23.1	2.5	2.6	2.7	10.8	10.6	10.9
Kuala Lumpur Kepong	21.9	21.8	21.5	2.7	2.8	2.7	10.0	9.8	9.6
Felda Global Ventures	17.4	17.7	16.8	2.3	2.1	4.2	7.2	3.8	7.3
Kulim	1.0	2.0	3.0	5.0	6.0	7.0	5.0	6.0	7.0
Sarawak Oil Palms	8.6	11.1	10.6	3.0	2.8	3.1	10.4	8.7	8.3
TH Plantations	10.3	14.4	14.0	-	-	-	6.4	4.7	4.6
TSH Resources	16.3	15.1	15.1	1.7	2.0	2.0	5.9	5.9	5.6
SD Plantation	24.7	26.8	27.3	2.3	2.2	2.4	8.5	7.8	8.3
Sarawak Plantations	10.5	11.2	13.1	3.2	3.2	2.1	10.0	8.9	7.5
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	10.6	11.5	9.6	4.6	4.3	4.6	8.6	8.2	8.1
Jaya Tiasa	7.7	9.9	11.8	4.0	3.0	11.1	6.6	-	-
Hap Seng Plantations	14.7	14.5	13.2	4.5	4.6	5.3	5.7	5.8	6.8
Simple average	14.7	15.4	15.4	3.1	3.1	4.0	7.8	7.3	7.6

Source: Bloomberg

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