



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 6 – 10 Sept

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **Bloomberg** quoted the *National Post* as reporting that India has allowed imports of genetically modified soymeal through three more ports, facilitating overseas purchases of the animal feed in high volumes. Beside the Nhava Sheva port, traders can now import soymeal via the Mumbai sea port, the Tuticorin sea port and the Visakhapatnam sea port. Last month, India allowed imports of GM soymeal for the first time to help the poultry industry, which is reeling from local soymeal prices that have tripled in a year to record highs.
- **Bloomberg** quoted a partner in a Sao Paulo-based law firm as saying that about 45 lawsuits have been filed since March against soybean, corn and coffee farmers for failing to deliver crops sold in advance to trading houses. In about 40% of the suits, trading firms and the farmers managed to reach agreements. About 25 lawsuits involved defaults on soybean contracts, 15 for corn and five for coffee. Most of the defaults were triggered as commodity prices have jumped at least 70% since the first contracts were set.
- **Reuters** cited a USDA report as saying that US farmers' net income is projected to jump 19.5% this year to an eight-year high of US\$113bil, in contrast to a forecast in February for a decline in profits. A surge to eight-year highs in US corn and soybean prices has brightened the financial outlook for farmers even as aid payments from the government are declining. Rising profits have increased farmers' demand for land, tractors and tools, providing an economic boost to rural towns. The USDA said that direct government payments are forecast to fall by 38.6% to US\$28bil in 2021E due to reduced Covid-19 relief after increasing by 103.5% in 2020.
- **S&P Global Platts** reported that Chevron will invest US\$600mil in a planned joint venture with Bunge, the world's largest oil seed processor, to expand soybean processing capabilities in Illinois and Louisiana to provide more feedstock for the production of renewable fuels. Upon finalisation of the joint venture, Chevron and Bunge will establish a reliable supply chain from "farmer to fuelling station" for both companies. Bunge would contribute its soybean processing facilities in Destrehan, Louisiana and Cairo, Illinois and Chevron would invest US\$600mil in cash. They would fund the approximate doubling of the combined capacity of the facilities from 7,000 tonnes per day, by the end of 2024F.
- **The Economic Times of India** reported that big names in the country's palm industry are chalking out plans for expansions of oil palm plantation and processing, encouraged by the government's move to boost oilseed production and reduce the reliance on imports. Of the four main companies, Godrej Agrovet and 3F Oil Palm are considering investing Rs500 crore (US\$125mil) each in the next five years for the expansion of oil palm cultivation. 3F Oil Palm plans to focus on the areas of Arunachal Pradesh, Karnataka and Andhra Pradesh. Under the existing scheme for oil palm promotion, Godrej has been adding around 3,000 to 4,000 hectares of oil palm plantations annually. This implies an investment of around Rs150 crore (US\$38mil) in a span of three to four years to set up a factory to process the oil palm.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Indonesia									
PT Astra Agro	10.4	11.8	10.6	2.5	3.6	3.2	8.8	7.2	7.4
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	8.3	8.5	9.0	3.8	4.9	4.8	9.8	9.0	8.2
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	8.1	7.1	6.4	2.6	3.9	4.2	10.4	10.9	11.1
Sampoerna Agro	-	-	-	-	-	-	-	-	-
Sawit Sumbermas	6.6	7.6	6.0	2.2	4.5	4.0	20.8	16.2	17.5
Simple average	8.3	8.8	8.0	2.8	4.2	4.0	12.5	10.8	11.1
Singapore									
Wilmar International	12.3	11.6	10.9	3.7	4.0	4.0	8.2	8.4	8.5
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	6.7	7.6	7.3	4.6	4.0	4.6	7.1	6.1	5.8
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.2	9.7	9.2	3.4	3.8	4.1	12.7	13.4	12.7
Bumitama Agri	7.3	6.6	7.0	5.0	5.2	5.3	12.6	12.7	12.2
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	9.4	8.9	8.6	4.2	4.3	4.5	10.1	10.2	9.8
Malaysia									
Genting Plantations	18.8	20.3	21.3	2.7	2.6	2.4	6.9	5.8	5.6
IJM Plantations	24.5	17.1	19.6	1.1	2.8	2.2	7.9	10.8	8.8
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	22.0	21.6	22.8	2.6	2.5	2.5	12.0	11.0	10.2
Kuala Lumpur Kepong	17.5	19.5	20.1	3.0	3.0	2.9	11.7	9.9	9.4
Felda Global Ventures	14.0	17.8	17.8	3.4	3.2	3.2	9.3	7.0	6.9
Kulim	1.0	2.0	3.0	5.0	6.0	7.0	5.0	6.0	7.0
Sarawak Oil Palms	6.5	8.8	8.8	3.9	2.8	3.4	11.8	9.0	8.6
TH Plantations	10.5	14.5	16.6	-	-	-	9.6	5.3	4.5
TSH Resources	13.5	14.5	15.1	1.9	1.8	2.0	8.5	6.5	6.3
SD Plantation	13.7	19.3	22.0	4.0	2.9	2.6	12.8	9.1	8.0
Sarawak Plantations	10.6	11.3	12.5	4.0	4.0	4.0	12.5	9.3	8.2
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	7.6	10.2	10.5	5.1	4.2	4.2	11.8	8.1	7.6
Jaya Tiasa	9.4	11.3	11.3	4.1	3.3	11.6	-	-	-
Hap Seng Plantations	10.8	14.5	17.8	5.5	4.5	3.8	8.1	5.8	5.3
Simple average	12.9	14.5	15.6	3.6	3.3	4.0	9.8	8.0	7.4

Source: Bloomberg

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