



AmInvestment Bank

## Sector report

# PLANTATION

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News flow for week 15 – 19 Nov

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **Bloomberg** reported that the European Commission will propose new rules for companies selling six major commodities to ensure that their goods are not contributing to deforestation and are legal in their country of origin. The rules will apply to soybean, beef, palm oil, cocoa and coffee as well as derived products such as chocolates, leather and furniture. Under the new rules, the operators would have to collect the geographic coordinates of where the commodities originated. The EU will also operate a benchmarking system to categorize countries according to their level of deforestation and that information will be used to determine the obligations on companies and member states.
- **Bloomberg** also said that the Biden administration is giving refineries more time to satisfy biofuel blending requirements for 2019, 2020 and 2021F amid a delay in setting quotas and lingering fallout from the Covid-19 pandemic. The EPA (Environmental Protection Agency) said that it would be proposing to extend the reporting deadline for the 2020 and 2021F compliance years for all fuel refiners and importers, who are obligated to satisfy the blending targets under the Renewable Fuel Standard. The EPA said that the plans are driven by the need to allow the “proper sequencing of deadlines” so that 2019’s obligations are complied with before 2020 and 2021E.
- According to **Bloomberg**, Cargill is investing RM145mil (US\$35mil) to expand its production facility in Port Klang, Malaysia to meet growing customer demand for specialty fats. Cargill will install dry palm fractionation capacity at the facility, which will enable the production of specialty fats for use in chocolates, coatings, filings and compounds, spreads and bakery fats. The expansion of the plant is expected to be completed in late 2023F.
- **Reuters** reported that Indonesia is training farmers and teachers, and running social media campaigns to highlight the “positive aspects” of the US\$50bil palm oil industry. The BPDP, a body in charge of collecting export taxes, has teamed up with the Smallholder Farmers Association to provide palm farmers with a media training programme to enable them to contribute to news articles and social media content that touch on innovation in the palm oil industry. The BPDP has also teamed up with Indonesia’s Teachers Association to conduct workshops such as “Unravelling Myths and Facts on Palm Oil”.
- **Biofuels International** has reported key highlights from the European Biodiesel Board’s (EBB) new roadmap for years 2030F to 2050F. According to the European Commission’s own projections, the demand for renewable fuels is expected to strongly increase in the coming decades, with a peak of 163 million tonnes of oil equivalent in year 2043F. Also, EBB said that one inconsistency in the EU’s climate policies is in the Fit-For-55 package. Under Fit-For-55, there is increasing demand for biodiesel on one hand while on the other hand, the sustainability criteria for biodiesel are becoming more restrictive.
- **Global Times of China** reported that Sinograin has signed soybean import contracts with multiple companies at the 4<sup>th</sup> China International Import Expo. China will import 8.4mil tonnes from Brazil, Argentina and Uruguay, further diversifying the country’s soybean import sources. Contracts were made with international grain providers such as Archer Daniels Midland Company, Bunge Limited and Cargill Inc. According to the General Administration of Customs, China’s soybean imports fell by 5% YoY to 79.083mil tonnes in 10M2021.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
<b>Indonesia</b>									
PT Astra Agro	10.5	11.5	11.3	1.9	3.2	2.9	9.8	8.5	7.7
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	9.2	9.7	11.1	3.0	4.3	3.9	10.3	9.7	8.2
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	7.3	6.5	5.3	2.5	3.9	4.5	12.6	14.4	12.9
Sampoerna Agro	-	-	-	-	-	-	-	-	-
Sawit Sumbermas	9.4	10.5	11.5	2.6	2.7	2.8	22.5	17.4	14.2
<b>Simple average</b>	<b>9.1</b>	<b>9.6</b>	<b>9.8</b>	<b>2.5</b>	<b>3.5</b>	<b>3.5</b>	<b>13.8</b>	<b>12.5</b>	<b>10.8</b>
<b>Singapore</b>									
Wilmar International	11.8	11.5	10.9	3.6	3.8	3.6	8.7	8.6	8.6
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	6.4	7.7	8.7	5.0	5.0	4.0	8.8	7.1	5.6
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.3	9.1	9.1	4.6	5.0	5.0	12.8	14.7	13.2
Bumitama Agri	7.2	7.1	7.3	5.8	5.4	5.5	14.1	13.5	12.7
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
<b>Simple average</b>	<b>9.4</b>	<b>8.8</b>	<b>9.0</b>	<b>4.7</b>	<b>4.8</b>	<b>4.6</b>	<b>11.1</b>	<b>11.0</b>	<b>10.0</b>
<b>Malaysia</b>									
Genting Plantations	17.8	18.4	19.0	2.9	2.7	2.6	7.2	6.2	5.5
IJM Plantations	24.6	16.1	19.1	1.1	2.7	2.3	7.9	11.2	9.4
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	21.3	19.3	21.5	2.7	2.7	2.8	12.0	12.2	10.8
Kuala Lumpur Kepong	16.2	17.2	18.1	2.9	3.0	3.0	12.6	10.8	9.8
Felda Global Ventures	15.5	19.3	18.8	3.2	2.9	3.1	9.5	6.9	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	8.5	4.4	3.0	3.6	11.5	8.8	8.8
TH Plantations	12.3	16.9	19.3	-	-	-	9.6	5.3	4.5
TSH Resources	11.7	12.8	13.5	2.1	2.0	2.2	9.5	7.2	6.8
SD Plantation	13.5	17.8	21.2	4.2	3.1	2.8	14.4	10.3	8.9
Sarawak Plantations	9.5	9.9	12.4	4.0	4.0	4.0	13.5	10.3	8.2
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	8.0	9.5	10.4	5.0	4.1	4.1	12.3	8.9	7.8
Jaya Tiasa	9.2	8.2	10.7	4.2	3.6	2.7	7.0	7.5	-
Hap Seng Plantations	10.7	14.5	17.7	5.5	4.4	3.8	8.5	6.1	5.4
<b>Simple average</b>	<b>12.7</b>	<b>13.6</b>	<b>15.2</b>	<b>3.6</b>	<b>3.4</b>	<b>3.4</b>	<b>10.0</b>	<b>8.4</b>	<b>7.7</b>

Source: Bloomberg

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