



AmInvestment Bank

Sector report

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PLANTATION

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News flow for week 27 – 31 Dec

NEUTRAL

(Maintained)

Rationale for report: Sector update

Quick Take

- **Bloomberg** cited the president director of the Indonesia Oil Palm Plantations Fund Management Agency as saying that Indonesia will probably consume 9.3mil to 9.4mil kilolitres (KL) (8.1mil to 8.2mil tonnes) of biodiesel this year. The government's targets are 9.41mil KL (8.2mil tonnes) for 2021E and 10.15mil KL (8.8mil tonnes) for 2022F. The agency may collect 71 trillion rupiah (US\$5.0bil) from the export levy in 2021E.
- According to **Bloomberg** also, Finland's Neste, an oil refining and marketing company, will stop using palm oil in the production of renewable fuels by the end of 2023F. Currently, the three biggest sources of feedstock across its renewable plants in Finland, the Netherlands and Singapore are animal fats waste, used cooking oil and vegetable oils residue.
- According to **S&P Global Platts**, CGB Enterprises and Minnesota Soybean Processors have formed a joint venture to build a soybean processing plant near Casselton, North Dakota, the latest in the wave of new soybean crushing capacity projects announced to meet the growing feedstock demand for renewable fuels projects. North Dakota Soybean Processors, which is jointly owned by CGB and Minnesota Soybean Processors will own and operate the new facility, which is expected to crush 42.5mil bushels of soybeans in the first year. According to the North Dakota Soybean Council, North Dakota produced 190.95mil bushels of soybeans in 2020. Out of these, 71% were exported to China and other Asian countries.
- **Reuters** reported that global potash prices are set for an extended rally after the US imposed sanctions on major supplier, Belarus Potash Company (BPC). BPC is the export arm of Belaruskali, which is the world's second largest potash producer. The US blacklisted Belaruskali and added BPC to its sanction list as the West escalated punitive action against Belarus President Alexander Lukashenko. Sanctions on BPC would make the world more dependent on other suppliers such as Canada's Nutrien Ltd, which is the world's largest potash producer. A company official said that Nutrien has idle capacity that it could bring back to the market if needed.
- **The Star** reported that Indonesia is considering subsidising cooking oil for its domestic market using revenue from the palm oil export levy as authorities seek to keep inflation in check. The average price of palm-based cooking oil is currently over 40% higher than a year ago at 17,800 rupiah (US\$1.25) per litre and well above the 11,000 rupiah per litre reference price set by the trade ministry. The government plans to intervene by selling 11mil litres at a price of 14,000 rupiah per litre. But if the market prices remain high, the government may look to subsidise using funds from the palm oil export levy.
- The US Department of Labor announced that it has awarded US\$5mil to Social Accountability International to prevent and reduce forced labour and child labour abuses in the Malaysian palm oil and garment industries. Administered by the Bureau of International Labor Affairs, the funding will support a project working with trade unions, civil organisations, migrant community workers, government labour inspectors and recruitment agencies to raise awareness of the root causes of forced labour and child labour abuses in these industries in Malaysia.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21E	FY22F	FY23F	FY21E	FY22F	FY23F	FY21E	FY22F	FY23F
Indonesia									
PT Astra Agro	8.0	8.9	9.1	2.0	4.3	4.1	11.5	9.3	9.2
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	7.9	8.3	8.4	3.4	4.9	4.4	10.7	10.0	9.0
BW Plantation	-	71.0	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	3.1	3.7	4.3	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	6.0	5.3	4.4	3.1	4.7	5.5	13.6	13.7	14.9
Sampoerna Agro	-	-	-	-	-	-	-	-	-
Sawit Sumbermas	6.7	7.0	6.6	3.1	3.7	4.3	26.0	20.7	19.1
Simple average	7.2	20.1	7.1	2.9	4.3	4.5	15.4	13.4	13.0
Singapore									
Wilmar International	11.6	11.3	10.7	3.6	3.8	3.7	8.7	8.5	8.5
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	5.7	7.2	7.2	4.4	4.4	4.4	9.2	7.0	6.0
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.7	8.6	8.7	4.1	5.0	5.2	13.0	15.0	13.3
Bumitama Agri	6.7	6.2	6.8	4.6	4.3	4.4	16.0	15.7	13.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	8.9	8.4	8.4	4.2	4.4	4.4	11.7	11.5	10.3
Malaysia									
Genting Plantations	14.9	14.4	15.3	3.3	3.4	3.2	7.8	7.0	6.9
IJM Plantations	24.6	14.1	13.5	1.1	-	-	7.9	12.9	13.9
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	21.0	17.8	19.8	2.7	2.9	2.8	12.0	12.5	11.0
Kuala Lumpur Kepong	16.8	15.9	18.2	2.8	3.0	2.9	12.6	11.8	10.5
Felda Global Ventures	8.9	14.2	16.4	3.0	2.3	2.3	14.6	8.9	7.4
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	4.9	7.1	8.5	5.2	3.6	3.3	14.6	10.1	9.0
TH Plantations	9.8	12.8	16.6	-	-	-	11.4	6.2	4.5
TSH Resources	9.9	12.5	12.4	2.2	2.0	2.2	10.2	7.4	7.0
SD Plantation	11.1	15.6	21.5	4.9	3.6	3.1	15.5	10.8	8.6
Sarawak Plantations	7.1	9.3	9.3	4.1	4.1	4.1	14.7	10.5	10.0
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	6.9	9.3	10.3	8.8	4.9	4.5	15.8	10.4	8.3
Jaya Tiasa	8.5	6.8	9.5	4.6	4.4	3.3	7.0	7.5	-
Hap Seng Plantations	8.5	11.4	14.5	6.2	5.1	4.3	9.5	7.3	6.1
Simple average	11.8	12.4	14.3	4.1	3.6	3.3	11.8	9.5	8.6

Source: Bloomberg

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