



AmInvestment Bank

Sector report

PLANTATION

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News flow for week 3 – 7 Jan

NEUTRAL

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Rationale for report: Sector update

Quick Take

- **S&P Global Platts** reported that the Brazilian soybean sector is forecast to produce record-breaking volume in 2021E/2022F. The National Supply Company (Conab) and the USDA expect Brazil's soybean production to be 142.8mil and 144.0mil tonnes respectively in 2021/2022F compared with 138.0mil tonnes in 2020/2021. Conab said that Brazilian soybean farmers have lapped up huge profits over the past two years due to high oilseed prices, weak Real and robust demand from China. Farmers are bullish about 2021/2022F soybean plantings with high acreage being transferred from other crops.
- **The Financial Times** reported that UK farmers are preparing for a fertiliser crunch in spring after prices almost tripled and supplies were cut with the reduced use of crop nutrients expected to affect the productivity of livestock, dairy, vegetable and other arable farmers. Surging natural gas prices last year had led skyrocketing costs for ammonium nitrate fertiliser and temporary closure of UK fertiliser manufacturing plants. Spot price of standard ammonium nitrate fertiliser was £213/tonne in October 2020 and by December 2021, it had reached £615/tonne.
- **Reuters** quoted the Council of Palm Oil Producing Countries (CPOPC) as saying that palm prices are expected to stay strong this year as production will remain constrained due to soaring fertiliser costs and labour shortages. CPOPC said smallholders are expected to cut down on inputs as prices of nitrogen and phosphate have jumped by 50% to 80% since mid-2021.
- According to **Reuters** also, China's biggest soybean grower region, Heilongjiang, plans to increase planted areas by 666,667 hectares in 2022F. China's soybean output dropped sharply last year as farmers decided to grow more corn as it was more profitable. China's 2021/2022F soybean output was forecast by the agriculture ministry to fall by 16.3% from 2020/2021. The ministry estimates soybean planted areas in 2021/2022F to be 8.4mil hectares.
- **Bloomberg** quoted the Malaysian Plantation Industries and Commodities Minister as saying that it has received the cabinet's approval to carry out government-to-government recruitment of foreign workers. The ministry will negotiate with countries that have shown interest to supply labour such as Bangladesh, Indonesia and India. Datuk Zuraida Kamaruddin said that the government will start talking to the countries through ambassadors and draw up the parameters.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Indonesia									
PT Astra Agro	8.1	8.8	9.2	2.0	4.3	4.0	11.5	9.6	9.2
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	7.4	7.8	7.4	3.5	5.2	-	11.5	10.0	9.6
BW Plantation	-	73.0	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	3.1	3.8	4.3	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Salya Nusantara	6.2	5.5	4.5	3.0	4.6	5.3	13.6	13.7	14.9
Sampoerna Agro	-	-	-	-	-	-	-	-	-
Sawit Sumbermas	6.6	7.0	6.6	3.1	3.8	4.3	26.0	20.7	19.1
Simple average	7.1	20.4	6.9	2.9	4.3	4.5	15.6	13.5	13.2
Singapore									
Wilmar International	11.8	11.5	10.9	3.5	3.7	3.6	8.7	8.5	8.5
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	5.6	7.2	7.2	4.4	4.4	4.4	9.2	7.0	6.0
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.4	9.1	9.2	3.8	4.8	4.9	13.0	15.0	13.3
Bumitama Agri	6.7	6.3	6.8	4.6	4.3	4.4	16.0	15.7	13.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	9.1	8.5	8.5	4.1	4.3	4.3	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	16.9	15.5	17.7	2.8	3.0	2.9	12.6	12.1	11.0
Felda Global Ventures	9.0	14.3	16.5	2.9	2.3	2.3	14.6	8.9	7.4
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	5.0	7.3	8.7	5.1	3.5	3.3	14.6	10.1	9.0
TH Plantations	10.2	13.3	17.3	-	-	-	11.4	6.2	4.5
TSH Resources	10.2	12.9	12.7	2.1	2.0	2.1	10.2	7.4	7.0
SD Plantation	11.2	15.8	21.7	4.8	3.5	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	6.6	8.9	9.9	9.1	5.1	4.7	15.8	10.4	8.3
Jaya Tiasa	9.2	7.4	10.2	4.2	4.1	3.0	7.0	7.5	-
Hap Seng Plantations	9.4	12.0	15.6	5.8	4.8	4.0	9.8	7.5	5.6
Simple average	11.9	12.5	14.5	4.0	3.5	3.2	11.8	9.5	8.6

Source: Bloomberg

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