



AmInvestment Bank

Sector report

PLANTATION

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Key Takeaways from Globoil's Webinar

NEUTRAL

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Rationale for report: Sector update

Quick Take

- *Solvent Extractors Association of India* organised a webinar yesterday titled “World Price Outlook for Vegetable Oils and Meals”. There were three speakers i.e. Thomas Mielke from Oil World, Dorab Mistry from Godrej International and James Fry from LMC International. Here are the key takeaways from the webinar :-
- James Fry said that rains and good palm prices would encourage better estate maintenance in Malaysia and Indonesia, leading to improved palm production in year 2021F. Rains would boost CPO supply in early-2021F and in the meantime, there would be a seasonal pick-up in production in 4Q2020. Peak palm production may be delayed by a month or two from the usual month of October or November in Malaysia.
- In terms of demand, many companies in the HORECA sector (hotels, restaurants and catering) may not survive without government support. Families in low income countries may be trading down to smaller bottles of cooking oil. James Fry did not give a price forecast.
- Thomas Mielke said that CPO prices may hover around US\$700/tonne (RM2,905/tonne) in 1H2021. He forecasts global production of palm oil to increase by 3.5mil to 4mil tonnes in 2021F. CPO output in Indonesia is estimated to rise by 3mil tonnes in 2021F from about 43mil tonnes in 2020E. Thomas Mielke expects CPO production in Malaysia to be flat in 2021F.
- He added that global soybean supply is ample currently in spite of weather-related losses in the US. He expects world soybean supply to increase by 21mil tonnes in 2020E/2021F as Brazil is envisaged to record a record output of 132.5mil tonnes (2019/2020E: 126.5mil tonnes).
- Dorab Mistry believes that CPO production in Malaysia would be flat at 19.9mil tonnes in 2020E compared with market expectations of a decline. We believe that this implies that 4Q2020 production would be strong as Malaysia's CPO output fell by 4.7% YoY in 8M2020. He did not give a production forecast for 2021F although he said that palm supply would be good.
- Dorab has suggested a dynamic biodiesel mandate to the Indonesia government whereby if CPO prices exceed US\$600/tonne, the biodiesel mandate would be reduced to B25 from B30. If CPO prices exceed US\$700/tonne, the biodiesel mandate would be reduced further to B20. With this, the biodiesel mandate would still be implemented but at the same time, the smallholders would not be affected by the CPO export levy. Currently, Indonesia implements the B30 biodiesel mandate with subsidies from the CPO export levy of US\$55/tonne.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	25.3	21.3	18.6	0.7	1.6	2.0	4.2	5.3	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	19.5	16.1	15.1	1.6	2.2	2.7	3.6	4.4	4.7
BW Plantation	-	46.5	11.6	-	0.4	1.7	-8.6	1.3	5.7
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	112.6	40.7	30.3	-	0.5	0.7	0.3	0.7	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	10.6	9.9	9.0	0.8	1.9	2.1	11.7	12.8	13.0
Sampoerna Agro	10.6	9.9	9.0	0.8	0.8	0.9	5.8	5.9	6.2
Sawit Sumbermas	18.0	15.0	14.0	1.2	1.5	1.6	9.9	10.8	10.7
Simple average	32.8	22.8	15.4	1.0	1.3	1.7	3.8	5.9	6.7
Singapore									
Wilmar International	16.8	15.6	14.1	2.7	2.9	3.1	7.5	7.7	8.0
Olam International	8.0	7.5	7.5	5.9	5.9	5.9	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	106.8	26.7	15.3	2.8	1.9	2.8	-1.1	0.7	1.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	12.1	9.9	8.8	2.6	3.0	3.7	10.6	11.6	11.8
Bumitama Agri	10.0	9.5	7.8	3.9	4.1	4.6	11.3	11.0	12.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	30.7	13.8	10.7	3.6	3.6	4.0	7.1	7.8	8.3
Malaysia									
Genting Plantations	39.0	31.5	26.1	1.3	1.5	1.7	4.4	5.2	6.1
IJM Plantations	34.7	22.9	18.8	1.9	2.2	2.7	2.3	5.1	6.0
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	36.2	30.6	28.2	1.8	2.1	2.2	7.9	9.4	9.8
Kuala Lumpur Kepong	28.9	26.0	24.6	2.2	2.3	2.4	7.7	8.6	8.8
Felda Global Ventures	-	48.2	33.1	1.7	2.3	2.3	-0.4	2.2	3.2
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	14.5	13.0	13.2	2.2	2.3	2.7	6.3	6.9	6.9
TH Plantations	33.8	17.6	10.2	1.6	2.3	4.1	2.1	3.7	6.3
TSH Resources	20.9	17.2	15.8	1.3	1.6	2.1	4.3	4.9	5.5
SD Plantation	50.7	41.1	36.1	1.3	1.4	1.7	5.1	6.3	6.8
Sarawak Plantations	16.5	12.3	12.7	2.6	2.6	2.6	6.5	7.1	6.7
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	17.3	13.3	11.3	2.5	3.4	3.6	4.6	6.0	6.6
Jaya Tiasa	-	18.8	14.0	-	1.5	2.1	-	3.3	-
Hap Seng Plantations	30.9	25.6	23.4	2.0	2.3	2.9	2.5	3.0	3.0
Simple average	29.4	24.5	20.6	1.9	2.1	2.5	4.4	5.5	6.3

Source: Bloomberg

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