



AmInvestment Bank

## Sector report

# PLANTATION

15 Nov 2021

News flow for week 8 – 12 Nov

**NEUTRAL**

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*Rationale for report: Sector update*

Quick Take

- The USDA released its monthly demand and supply projections for vegetable oils last week. The USDA has raised its forecast of US soybean inventory for 2021E/2022F to 340.0mil from 320.0mil bushels as lower exports offset the downward revision in production. The USDA is now estimating US soybean production to be 4,425.0mil bushels for 2021E/2022F vs. 4,448.0mil previously due to a lower soybean yield. Comparing 2021E/2022F against 2020/2021E however, US soybean output is expected to rise by 5.0% to 4,425.0mil bushels on the back of higher planted areas.
- Globally, the USDA has reduced its estimate of 2021E/2022F soybean inventory to 103.8mil from 104.6mil tonnes because of lower stockpiles in Argentina. Argentina's soybean inventory is now forecast to be 24.6mil compared with 25.7mil tonnes originally. World soybean production is envisaged to climb to 384.0mil tonnes in 2021E/2022F from 366.2mil tonnes in 2020/2021E underpinned by higher output in the USA, Brazil and Argentina.
- *Bloomberg* reported that Bunge Loders Croklaan plans to construct a €300mil “sustainable production facility”, which will be completed in 2024F, at the Port of Amsterdam. The new plant will have direct energy savings of 40% and carbon reduction of 90% by 2030F. Production at the current Bunge Loders Croklaan location in Wormerveer will move to the new facility in 2025F. IOI Corporation owns 30% of Bunge Loders Croklaan.
- According to *Bloomberg* also, Singapore's financial watchdog is turning to regulation and technology to tackle so-called “greenwashing”, which it considers the weakest link in expanding sustainable finance. Banks in Singapore will have to undergo stress tests from next year onwards while making regulatory disclosures to ensure that they are managing risks related to climate change and other environmental issues. Ravi Menon, the Managing Director of the Monetary Authority of Singapore said that they do not make pronouncements on any sector after being asked if the MAS would ask local banks to curb financing to the palm oil sector.
- *The Star* reported that the Malaysian palm oil industry would be paying an estimated RM12bil in total taxes this year due to the record high CPO prices. The amount is doubled of last year's taxes of RM5bil to RM6bil, according to MPOA's chief executive officer Datuk Nageeb Wahab. The estimated RM12bil taxes consist of the windfall tax, MPOB cess, sales tax in Sabah and Sarawak and corporate tax but excludes the CPO export tax. He also expects foreign workers to start arriving in Malaysia at the end of December 2021. Nageeb said that the plantation industry in Malaysia is short of 75,000 palm fruit harvesters in total.
- The *NST* said that the MPOB is offering its R&D expertise to develop palm-based food products by leveraging on the latest pilot plants and laboratory facilities in Bangi. MPOB said that the oils and fats products development/manufacturing comprise aspects of formulation, processing and preservation during storage and transportation. For example, MPOB's Perfecto plant can produce palm-based fluid, cake and pastry margarine, solid shortenings and vegetable ghee.
- *Bloomberg* reported that Indonesia plans to fulfil its pledge to end deforestation by focusing on replanting old oil palm trees. According to Sahat Sinaga, the acting chairman of the Indonesian Palm Oil Board, the industry will help smallholder farms, which account for 6.7mil hectares or 75% of total palm plantations in the country, to replace old trees with new crops that are more productive and profitable. According to the Indonesian agriculture ministry, about 2.78mil hectares of the oil palm estates belonging to smallholders are more than 25 years old. Indonesia has allocated 5.4 trillion Rupiah (US\$377mil) in export levies to support the replanting programme this year.

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	11.1	12.1	11.6	1.9	3.0	2.8	9.5	8.4	7.7
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	9.8	10.2	11.4	2.9	4.0	3.8	9.9	9.4	8.2
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	7.4	6.4	5.2	2.5	3.9	4.6	12.4	14.4	12.9
Sampoerna Agro	-	-	-	-	-	-	-	-	-
Sawit Sumbermas	9.0	10.0	10.9	2.7	2.8	3.0	22.5	17.4	14.2
<b>Simple average</b>	<b>9.3</b>	<b>9.7</b>	<b>9.8</b>	<b>2.5</b>	<b>3.5</b>	<b>3.6</b>	<b>13.6</b>	<b>12.4</b>	<b>10.8</b>
<b>Singapore</b>									
Wilmar International	12.0	11.7	11.1	3.5	3.7	3.6	8.7	8.6	8.6
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	7.2	7.2	8.9	5.1	5.1	4.1	7.5	7.2	5.5
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.7	9.7	9.8	3.5	4.4	4.5	12.7	14.0	12.6
Bumitama Agri	8.1	7.4	7.8	4.5	4.7	4.8	12.2	13.0	12.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
<b>Simple average</b>	<b>9.8</b>	<b>9.0</b>	<b>9.4</b>	<b>4.2</b>	<b>4.5</b>	<b>4.2</b>	<b>10.3</b>	<b>10.7</b>	<b>9.7</b>
<b>Malaysia</b>									
Genting Plantations	18.1	18.7	19.3	2.9	2.7	2.5	7.2	6.2	5.5
IJM Plantations	24.6	16.1	19.0	1.1	2.6	2.3	7.9	11.2	9.4
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	21.2	19.2	21.4	2.7	2.7	2.8	12.0	12.0	10.3
Kuala Lumpur Kepong	16.5	17.7	18.4	2.8	3.0	2.9	12.6	10.8	9.8
Felda Global Ventures	16.7	19.1	19.1	3.2	3.0	3.0	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	8.9	8.6	4.4	3.0	3.6	11.5	8.8	8.8
TH Plantations	12.0	16.5	18.9	-	-	-	9.6	5.3	4.5
TSH Resources	11.7	13.2	13.4	2.1	2.1	2.2	9.5	7.2	6.8
SD Plantation	13.3	17.6	20.6	4.2	3.2	2.8	14.0	10.2	8.4
Sarawak Plantations	9.3	9.7	12.1	4.1	4.1	4.1	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	9.4	8.4	11.0	4.1	3.5	2.6	7.0	7.5	-
Hap Seng Plantations	10.7	14.5	17.6	5.5	4.5	3.8	8.5	6.1	5.4
<b>Simple average</b>	<b>12.8</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>7.6</b>

Source: Bloomberg

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