

## Plantation

### Indonesia Amends Its Export Tax Policy

- **Top Pick in Indonesia is PP London Sumatra Indonesia (LSIP), while Malaysia picks remain a mix of pure and integrated planters – SD Guthrie (SDG), IOI Corp, Johor Plantations (JPG), and Sarawak Oil Palms (SOP).** Indonesia's change in CPO and refined palm oil export tax policy from a graduated scale to a flat 7.5% and 4.5% is expected to benefit all planters in Indonesia and make Indonesia more competitive than Malaysia. Overall, we remain NEUTRAL on the sector.
- **No more graduated export tax rates for CPO.** The Indonesian Government has, with effect from 21 Sep 2024, abolished export tax rates based on a graduated scale, and put into place a fixed 7.5% export tax rate for CPO, to increase the competitiveness of palm oil prices in Indonesia and provide added value to the price of FFB at the farmer level. Prior to this change, Indonesia had imposed a levy of between USD55 to USD240/tonne for CPO exports, depending on a set of price brackets for the monthly reference price. The export tax rates for refined palm oil products and biodiesel are now also at flat rates of 4.5% and 3%.
- **With this change, Indonesia pure planters will be able to benefit from higher effective CPO prices...** As an example (excluding all other costs), at MYR4,000/tonne, a CPO exporter in Indonesia will now receive MYR3,371/tonne (vs MYR3,248/tonne previously).
- **...While the edge that downstream refiners in Indonesia have would widen further,** and Malaysia's competitiveness for downstream products would decrease. Using the same example, the advantage downstream refiners would have in Indonesia – at a CPO price of MYR4,000/tonne – should increase to USD84/tonne (from USD79/tonne and vs Malaysia's tax advantage of USD72/tonne).
- **In general, all Indonesia planters should benefit from this change in tax structure,** given the higher effective CPO prices achievable with the lower export duties, and the wider tax advantage downstream planters would have. This, together with the revision in Domestic Market Obligation or DMO ceiling prices by 12% to IDR15,700/litre (from IDR14,000) in mid-August would help Indonesia planters record higher effective ASP's. The estimated increase in effective CPO price ranges MYR20-137/tonne, based on a CPO price range of MYR3,000-4,500/tonne (Figures 3 and 4). For 2025, based on our estimated MYR3,800/tonne CPO price assumption, this change would improve earnings of the Indonesia and SGX-listed planters by MYR116/tonne. Hence, the earnings impact is likely to be in the range of 6-12% pa, depending on forward sales strategies and percentage of local sales.
- **Still NEUTRAL on sector.** We make no changes to our earnings forecasts, for now. Our Top Pick in Indonesia is LSIP while, in Malaysia, we continue to like stocks like SDG, IOI Corp, JPG, and SOP.

## Neutral (Maintained)

Stocks Covered 14  
Rating (Buy/Neutral/Sell): 6 / 8 / 0  
Last 12m Earnings Revision Trend: Negative

#### Top Picks

Top Picks	Target Price
SD Guthrie (SDG MK – BUY)	MYR5.35
Johor Plantations (JPG MK – BUY)	MYR1.20
IOI Corp (IOI MK) – BUY	MYR4.50
Sarawak Oil Palms (SOP MK – BUY)	MYR3.60
London Sumatra Indonesia (LSIP IJ – BUY)	IDR1,130

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#### New Indonesia export levy rates

Product	New Levy Rates (Effective 21 September)	
	Product	Rate
CPO		7.50%
CPKO		7.50%
Crude Palm Olein		6.00%
RBD Palm Oil		4.50%
RBD Palm Olein		4.50%
Biodiesel		3.00%

Source: Ministry of Finance Indonesia

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Astra Agro Lestari	Neutral	IDR5,460	(17.6)	12.8	0.5	4.0	3.7
Bumitama Agri	Neutral	SGD0.70	(2.1)	8.2	1.0	12.3	6.5
FGV Holdings	Neutral	MYR1.30	24.6	34.2	0.6	1.8	2.4
First Resources	Neutral	SGD1.45	0.6	9.9	1.2	12.3	5.0
Golden Agri	Neutral	SGD0.25	(9.1)	9.6	0.5	19.3	2.1
IOI Corp	Buy	MYR4.50	17.4	18.4	1.9	10.5	2.7
Johor Plantations Group	Buy	MYR1.20	24.4	11.8	0.8	7.2	4.7
Kuala Lumpur Kepong	Buy	MYR25.40	22.7	20.4	1.9	7.2	2.5
PP London Sumatra Indonesia	Buy	IDR1,130	10.2	7.8	0.5	6.5	4.5
Sarawak Oil Palms	Buy	MYR3.60	19.9	7.9	0.7	8.6	3.3
SD Guthrie	Buy	MYR5.35	13.3	23.0	1.8	7.8	2.3
Ta Ann	Neutral	MYR3.60	(6.5)	9.3	0.9	9.7	7.8
TSH Resources	Neutral	MYR1.10	-	12.8	0.7	5.5	1.8
Wilmar International	Neutral	SGD3.10	(1.3)	10.8	0.7	6.6	5.2

Source: Company data, RHB

Figure 1: Effective new levy rates for palm products

Products	New levy rates (%) or USD/tonne
FFB	0
PK	25
Palm Kernel Shell	3
CPO	7.50%
CPKO	7.50%
Crude Palm Olein	6.00%
RBD Palm Oil	4.50%
RBD Palm Olein	4.50%
Biodiesel	3.00%

Source: Ministry of Finance Indonesia

Figure 2: Example of new exports taxes and levy using the reference price for 1-30 Sept (USD839.53)

	Old Levy + Duty (USD/tonne)			New Exports + Levy (USD/tonne)			Difference Total
	Exports	Levy	Total	Exports	Levy	Total	
CPO	90	52	142	63	52	115	27
RBD Palm Oil	73	5	78	38	5	43	35
Biodiesel	60	0	60	25	0	25	35

Source: RHB

Figure 3: New effective CPO prices in Indonesia (applicable from 21 Sep 2024)

CPO price@ MYR/tonne	4,500	4,400	4,300	4,200	4,100	4,000	3,900	3,800	3,700	3,600	3,500	3,400	3,300	3,200	3,100	3,000
CPO Price (USD)	1,011	989	966	944	921	899	876	854	831	809	787	764	742	719	697	674
Levy Rate (USD) (7.5% of CPO price)	76	74	72	71	69	67	66	64	62	61	59	57	56	54	52	51
Levy Rate (MYR)	338	330	323	315	308	300	293	285	278	270	263	255	248	240	233	225
Export Tax (USD)	148	148	124	124	74	74	52	52	52	33	33	18	18	3	3	-
Export Tax (MYR)	659	659	552	552	329	329	231	231	231	147	147	80	80	13	13	-
Effective Indo Price	3,504	3,411	3,426	3,333	3,463	3,371	3,376	3,284	3,191	3,183	3,091	3,065	2,972	2,947	2,854	2,775

Note: \*Exchange rate conversion applied = MYR4.45/USD

Source: RHB

Figure 4: Previous effective CPO prices in Indonesia (applicable mid-Nov 2022 to mid-Sep 2024)

CPO price at MYR/tonne	4,500	4,400	4,300	4,200	4,100	4,000	3,900	3,800	3,700	3,600	3,500	3,400	3,300	3,200	3,100	3,000
CPO Price (USD)	1,011	989	966	944	921	899	876	854	831	809	787	764	742	719	697	674
Levy Rate (USD)	105	105	100	100	95	95	90	90	90	85	85	75	75	65	65	55
Levy Rate (MYR)	467	467	445	445	423	423	401	401	401	378	378	334	334	289	289	245
Export Tax (USD)	148	148	124	124	74	74	52	52	52	33	33	18	18	3	3	-
Export Tax (MYR)	659	659	552	552	329	329	231	231	231	147	147	80	80	13	13	-
Effective Indo Price	3,374	3,274	3,303	3,203	3,348	3,248	3,268	3,168	3,068	3,075	2,975	2,986	2,886	2,897	2,797	2,755

Note: \*Exchange rate conversion applied = MYR4.45USD

Source: RHB

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Figure 5: Effective CPO prices in Malaysia

CPO price at MYR/tonne	4,500	4,400	4,300	4,200	4,100	4,000	3,900	3,800	3,700	3,600	3,500	3,400	3,300	3,200	3,100	3,000
West Malaysia – Windfall tax (15% above MYR3,000/tonne)	225	210	195	180	165	150	135	120	105	90	75	60	45	30	15	-
East Malaysia – Windfall tax (15% above MYR3,500/tonne)	150	135	120	105	90	75	60	45	30	15	-	-	-	-	-	-
Export tax	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	7.5%	7.0%	7.0%	6.5%	6.0%
Export tax (MYR/tonne)	360	352	344	336	328	320	312	304	296	288	280	255	231	224	201.5	180
<b>Effective West Malaysia price (MYR/tonne)</b>	<b>3,915</b>	<b>3,838</b>	<b>3,761</b>	<b>3,684</b>	<b>3,607</b>	<b>3,530</b>	<b>3,453</b>	<b>3,376</b>	<b>3,299</b>	<b>3,222</b>	<b>3,145</b>	<b>3,085</b>	<b>3,024</b>	<b>2,946</b>	<b>2,883.50</b>	<b>2,820</b>
<b>Effective East Malaysia price (MYR/tonne)</b>	<b>3,990</b>	<b>3,913</b>	<b>3,836</b>	<b>3,759</b>	<b>3,682</b>	<b>3,605</b>	<b>3,528</b>	<b>3,451</b>	<b>3,374</b>	<b>3,297</b>	<b>3,220</b>	<b>3,145</b>	<b>3,069</b>	<b>2,976</b>	<b>2,898.50</b>	<b>2,820</b>

Source: RHB

Figure 6: New net margin advantage for downstream vs old

FOR DOWNSTREAM	4,500	4,400	4,300	4,200	4,100	4,000	3,900	3,800	3,700	3,600	3,500	3,400	3,300	3,200	3,100	3,000
CPO Price (MYR)	1,011	989	966	944	921	899	876	854	831	809	787	764	742	719	697	674
CPO Price (USD)	1,011	989	966	944	921	899	876	854	831	809	787	764	742	719	697	674
BUY CPO at discount of USD/tonne	224	222	196	195	143	141	118	116	114	94	92	75	74	57	55	51
Levy for RBDPO (4.5% of CPO prices)	46	44	43	42	41	40	39	38	37	36	35	34	33	32	31	30
Tax for RBDPO	76	76	61	61	17	17	5	5	5	0	0	0	0	0	0	0
<b>Net margin advantage (USD/t)</b>	<b>102</b>	<b>102</b>	<b>92</b>	<b>91</b>	<b>85</b>	<b>84</b>	<b>73</b>	<b>73</b>	<b>72</b>	<b>57</b>	<b>57</b>	<b>41</b>	<b>40</b>	<b>25</b>	<b>24</b>	<b>20</b>
<b>VERSUS</b>																
BUY CPO at discount of USD/tonne (OLD)	253	253	224	224	169	169	142	142	142	118	118	93	93	68	68	55
Levy for RBDPO (OLD)	88	83	83	78	78	73	73	68	68	68	58	58	48	48	38	38
Tax for RBDPO	76	76	61	61	17	17	5	5	5	0	0	0	0	0	0	0
<b>Net margin advantage (USD/t)</b>	<b>89</b>	<b>94</b>	<b>80</b>	<b>85</b>	<b>74</b>	<b>79</b>	<b>64</b>	<b>69</b>	<b>69</b>	<b>50</b>	<b>60</b>	<b>35</b>	<b>45</b>	<b>20</b>	<b>30</b>	<b>17</b>

Source: RHB

Figure 7: Sensitivity of company earnings to changes in CPO prices

	Net profit change for every MYR100/tonne change
Kuala Lumpur Kepong (KLK) (MYR)	6-8%
IOI Corp (IOI) (MYR)	4-6%
SD Guthrie (SDG) (MYR)	7-9%
FGV (MYR)	12-15%
Sarawak Oil Palms (SOP) (MYR)	10-12%
Ta Ann (TAH) (MYR)	12-15%
Johor Plantations Group (JPG) (MYR)	6-7%
TSH Resources (TSH) (MYR)	7-8%
Golden Agri (GGR) (SGD)	8-10%
First Resources (FR) (SGD)	6-8%
Bumitama Agri (BAL) (SGD)	7-9%
Astra Agro Lestari (AALI) (IDR)	9-11%
London Sumatra (LSIP) (IDR)	11-12%

Source: RHB

Figure 8: Labour shortage among Malaysian planters

	Shortage (end-June 2024)	Comments
SDG	Fully staffed	
IOI	Fully staffed	
KLK	Fully staffed	
SOP	4-8%	Management has been focusing on training existing workers and note that it is no longer a concern.
TAH	Fully staffed	Helped by contract workers
FGV	5%	Sabah 15% shortage, Sarawak 52% shortage. FGV intends to reduce the shortages in Sabah and Sarawak by 4Q24

Source: RHB

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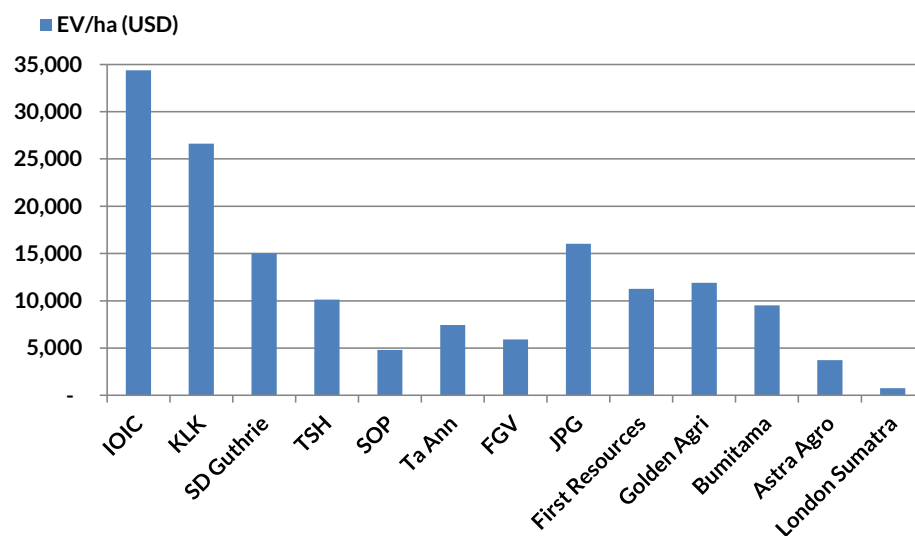
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Figure 9: Regional companies' forward sales positions

Company	Forward sales for 2024 (as at end-June 2024)
KLK	10% of Malaysian production three months ahead
IOI	10-20% of production, sold on an average of three months forward
SDG	For Malaysia, it has sold 27% of its FY24 output at MYR3,800/tonne, while for Papua New Guinea, it has sold 13% of its 4Q24 output at USD4,100/tonne.
SOP	None
TAH	None
FR	No quantum given, but continues to hedge 2-4 weeks ahead
BAL	None
GGR	1-2 months of production, 3-6 months forward
LSIP	Minimal to none
AALI	Minimal

Source: Company data, RHB

Figure 10: Peer comparison based on EV/ha



Source: RHB

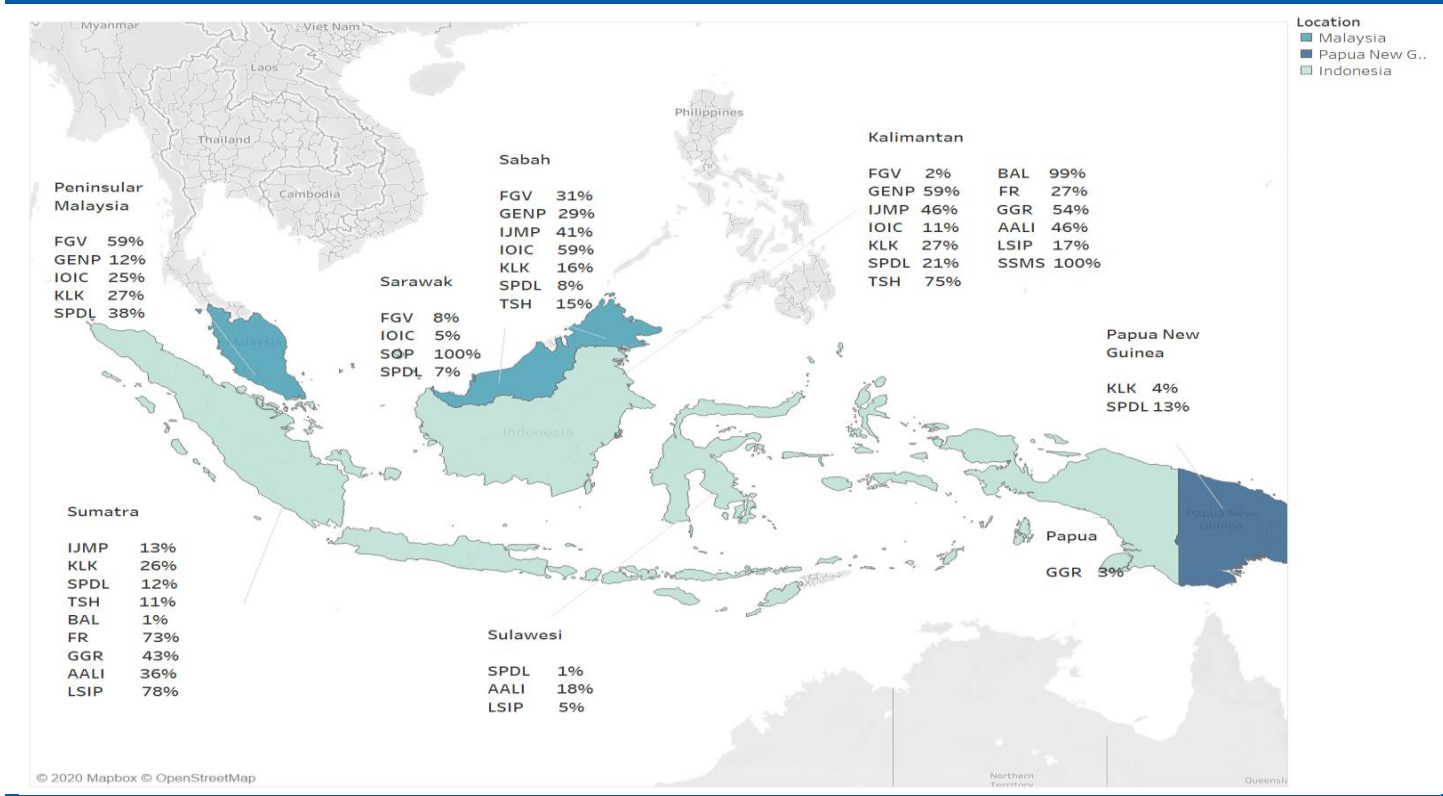
Figure 11: Regional peer comparison

	BBG ticker	Market cap (USDm)	Rating	Price (local ccy)	TP (local ccy)	Core P/E FY24F	Core P/E FY25F	P/BV FY24F	Net gearing FY24F	Div yield FY24F	ROE FY24F	EV/ha USD
Kuala Lumpur Kepong	KLK MK	5,399	Buy	20.70	25.40	24.1	21.0	1.9	37.2%	2.2%	6.4%	26,622
Sarawak Oil Palms	SOP MK	637	Buy	3.00	3.60	6.9	7.9	0.7	Cash	3.3%	10.6%	4,795
IOI Corp	IOI MK	5,652	Buy	3.83	4.50	21.3	18.4	2.0	13.1%	2.4%	9.6%	34,372
SD Guthrie	SDG MK	7,765	Buy	4.72	5.35	24.1	23.0	1.8	24.6%	2.3%	7.6%	15,036
Ta Ann	TAH MK	403	Neutral	3.85	3.60	10.6	9.3	0.9	Cash	6.8%	8.7%	7,429
TSH Resources	TSH MK	361	Neutral	1.10	1.10	13.3	12.8	0.7	1.3%	1.8%	5.4%	14,680
Johor Plantations	JPG MK	574	Buy	0.97	1.20	11.8	11.8	0.9	Cash	4.7%	8.1%	16,020
FGV Holdings	FGV MK	903	Neutral	1.04	1.30	36.5	40.2	0.6	25.9%	1.9%	1.7%	5,907
Wilmar	WIL SP	15,180	Neutral	3.14	3.10	12.2	10.8	0.8	99.1%	4.2%	5.9%	N/A
Bumitama Agri	BAL SP	960	Neutral	0.72	0.70	8.6	8.2	1.0	12.8%	6.4%	12.3%	9,520
Golden Agri	GGR SP	2,701	Neutral	0.28	0.25	11.6	9.6	0.5	Cash	1.7%	19.2%	11,899
First Resources	FR SP	1,728	Neutral	1.44	1.45	10.0	9.9	1.3	Cash	5.0%	12.9%	11,250
PP London Sumatra Indonesia	LSIP IJ	461	Buy	1,025	1,130	7.7	7.8	0.5	Cash	4.5%	7.3%	744
Astra Agro Lestari	AALI IJ	842	Neutral	6,625	5,460	12.1	12.8	0.6	6.2%	3.7%	4.4%	3,715
<b>Regional Average</b>						<b>15.2</b>	<b>14.9</b>	<b>1.0</b>				<b>11,681</b>

Note: Prices are as at 20 Sep 2024

Source: RHB, Bloomberg, Company data

Figure 12: Breakdown of plantation companies' landbanks



Source: Company data, RHB

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