

Plantation

Output Slipped MoM; Stock Levels Above 2m Tonnes

- **Maintain NEUTRAL; Top Picks: Johor Plantations Group, Sarawak Oil Palms, IOI Corp, London Sumatra Indonesia, SD Guthrie, and First Resources.** In Malaysia, PO output slipped MoM, but exports fell further, leading to higher stock levels of 2.03m tonnes in June. We believe PO output will slowly pick up towards a second mini peak in 3Q25, while demand should also improve, as CPO prices are currently at wider discounts vs competitors.
- **CPO output slipped 5% MoM (-5% YoY)** in June, bringing YTD-June output growth to +1% YoY. The MoM decrease came from a high base in May (mini peak), with all three regions falling MoM – Sabah and Sarawak at -10% and -7.3%, followed by Peninsular at -1.3%. Data from the Indonesian Palm Oil Association indicated a similar pattern, with YTD-April output up a marginal 1% YoY. We expect output in Malaysia to start gradually picking up again over the next few months, as we head towards a second mini peak in 3Q25.
- **Exports meanwhile, fell 11% MoM in June**, bringing YTD-June export growth to -7% YoY. This was despite CPO trading at a larger discount to soyoil and sunflower oil in June vs May, of USD188 and USD219 per tonne respectively. The decrease was likely due to port congestion in India, leading to delays in unloading vessels, [according to Reuters](#). Moving forward, however, we expect the situation to turn around as Malaysia has lowered its July CPO reference price to MYR3,730/tonne, leading to a lower 8.5% export duty for July compared to 9.5% in June. This may encourage exporters to expedite shipments to July to enjoy the lower cost. We note that CPO is currently trading at a wider discount to soybean oil (SBO), at USD214/tonne, comfortably above the historical discount of USD100-USD150/tonne.
- **Inventory levels at importing countries may see improvement as at end June.** While Malaysian Palm Oil Council (MPOC) stock levels for June are not available yet, we believe restocking activities in importing countries have slowly returned. This is driven by: i) CPO trading at a discount to SBO for the whole of June and ii) India cutting its basic import tax for crude edible oils on 31 May. Still, we highlight that buying activities could likely lean towards Indonesia PO given the recent change in levy effective mid-May – resulting in an even more advantageous tax structure (at 16.1% vs Malaysia's 8.5%).
- **Malaysian PO stock rose 2% MoM to 2.03 tonnes**, on weaker exports (-10.5% MoM), offset by weaker production (-4.5% MoM). With this, June's annualised stock/usage ratio has risen past the 15-year average of 10%, at 10.25%. Going forward, we expect stock levels to rebound in the short term, back to above the 2m-tonne mark.
- **Keep NEUTRAL**, as we believe fundamentals are more balanced now in 2026F – with edible oil supply expected to recover while demand should remain supportive. We believe CPO prices will taper off in 3Q25, before picking up in 4Q25. [Our new CPO price assumption](#) is MYR4,100/tonne for 2025. YTD-2025 prices are now at MYR4,373/tonne.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-26F	P/B (x) Dec-26F	ROAE (%) Dec-26F	Yield (%) Dec-26F
Astra Agro Lestari	Neutral	IDR6,090	4.1	9.3	0.5	4.8	5.1
Bumitama Agri	Neutral	SGD0.80	2.4	8.1	1.1	13.8	7.7
First Resources	Buy	SGD1.70	14.1	8.4	1.1	14.1	6.0
Golden Agri-Resources	Neutral	SGD0.25	(0.4)	8.8	0.4	-	2.3
IOI Corp	Buy	MYR4.30	11.6	17.7	1.8	10.4	2.7
Johor Plantations Group	Buy	MYR1.45	18.2	11.4	1.0	8.7	4.1
Kuala Lumpur Kepong	Neutral	MYR20.65	(0.9)	21.1	2.4	7.4	2.4
PP London Sumatra Indonesia	Buy	IDR1,500	13.6	6.1	0.6	9.4	6.2
Sarawak Oil Palms	Buy	MYR3.80	17.4	5.9	0.6	11.1	3.7
SD Guthrie	Buy	MYR5.45	14.6	22.5	1.7	7.5	2.5
Ta Ann	Neutral	MYR3.60	(6.6)	9.8	0.9	9.1	7.8
TSH Resources	Neutral	MYR1.10	(4.0)	11.2	0.7	6.5	1.7
Wilmar International	Neutral	SGD2.80	(5.7)	11.2	0.7	6.4	5.4

Source: Company data, RHB

Neutral (Maintained)

Stocks Covered 13
Rating (Buy/Neutral/Sell): 6 / 7 / 0
Last 12m Earnings Revision Trend: Positive

Top Picks	Target Price
SD Guthrie (SDG MK) – BUY	MYR5.45
Johor Plantations Group (JPG MK) – BUY	MYR1.45
Sarawak Oil Palms (SOP MK) – BUY	MYR3.80
IOI Corp (IOI MK) – BUY	MYR4.30
London Sumatra Indonesia (LSIP IJ) – BUY	IDR1,500
First Resources (FR SP) – BUY	SGD1.70

Analysts

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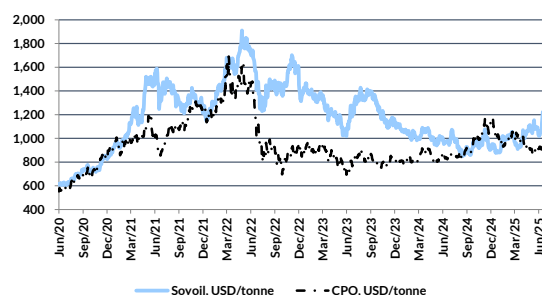
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Soyoil vs CPO (USD/tonne)



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Monthly statistics

Figure 1: Monthly CPO statistics

('000 tonnes)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Opening stocks	1,753	1,831	1,754	1,883	2,012	1,885	1,836	1,709	1,580	1,510	1,563	1,866	1,983
Imports	12	10	10	5	16	22	38	88	67	122	58	69	70
Production	1,615	1,841	1,894	1,822	1,797	1,621	1,487	1,240	1,188	1,387	1,686	1,772	1,692
Total supply	3,380	3,683	3,658	3,711	3,825	3,529	3,361	3,037	2,835	3,019	3,307	3,707	3,745
Exports	1,207	1,690	1,529	1,560	1,744	1,490	1,342	1,197	996	1,006	1,104	1,407	1,259
Domestic use	342	239	246	139	196	203	310	260	329	450	337	317	455
Total off take	1,549	1,928	1,775	1,699	1,940	1,693	1,652	1,457	1,326	1,456	1,441	1,724	1,715
End-month stocks	1,831	1,754	1,883	2,012	1,885	1,836	1,709	1,580	1,510	1,563	1,866	1,983	2,031

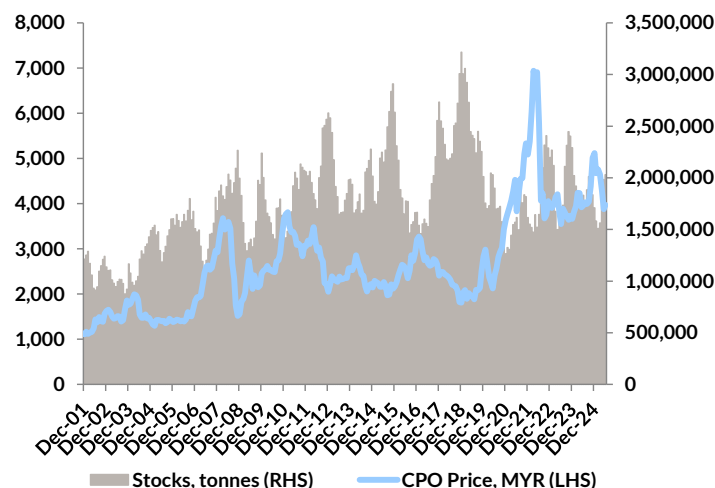
Production YTD	8,876	10,717	12,611	14,433	16,230	17,851	19,338	1,240	2,428	3,815	5,501	7,273	8,965
MoM (%)	(5.2)	14.0	2.9	(3.8)	(1.3)	(9.8)	(8.3)	(16.6)	(4.2)	16.8	21.5	5.1	(4.5)
YoY (%)	11.6	14.3	8.0	(0.4)	(7.2)	(9.4)	(4.1)	(11.6)	(5.7)	(0.4)	12.3	3.9	4.8
YTD (%)	9.8	10.5	10.2	8.7	6.7	5.0	4.2	(11.6)	(8.8)	(5.9)	(1.0)	0.2	1.0

Exports YTD	7,525	9,215	10,743	12,303	14,048	15,538	16,880	1,197	2,193	3,199	4,303	5,711	6,970
MoM (%)	(12.7)	39.9	(9.5)	2.0	11.8	(14.6)	(10.0)	(10.8)	(16.7)	0.9	9.8	27.4	(10.5)
YoY (%)	3.0	24.8	25.1	28.8	17.8	6.0	(1.5)	(11.3)	(2.7)	(24.2)	(10.5)	1.8	4.3
YTD (%)	6.1	9.1	11.1	13.1	13.7	12.9	11.6	(11.3)	(7.6)	(13.6)	(12.8)	(9.6)	(7.4)

Stocks													
MoM (%)	4.5	(4.2)	7.3	6.8	(6.3)	(2.6)	(6.9)	(7.5)	(4.5)	3.5	19.4	6.3	2.4
YoY (%)	6.5	1.2	(10.8)	(13.1)	(23.0)	(23.6)	(25.4)	(21.8)	(21.4)	(8.8)	6.9	13.1	10.9

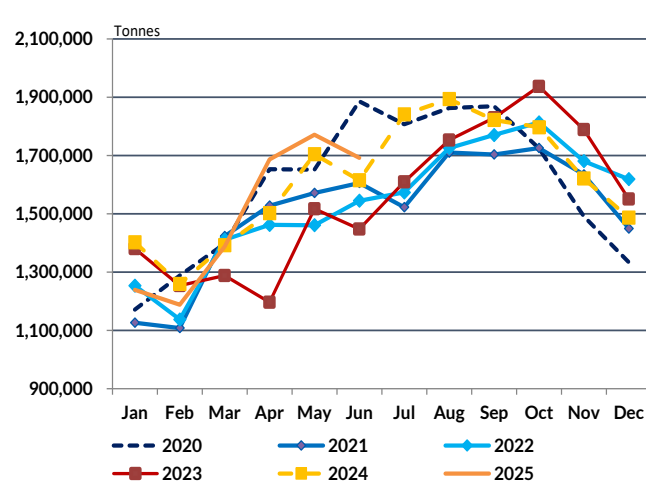
Source: Malaysian Palm Oil Board (MPOB), RHB

Figure 2: CPO inventory was at 2.03m tonnes in Jun 2025 (+10.9% YoY from 1.83m tonnes in Jun 2024)



Source: MPOB, Bloomberg

Figure 3: Malaysia's CPO production (+1% YoY in YTD-Jun 2025)

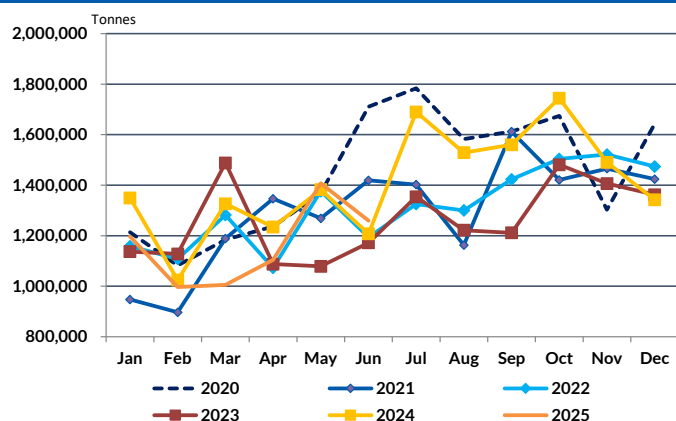


Source: MPOB, RHB

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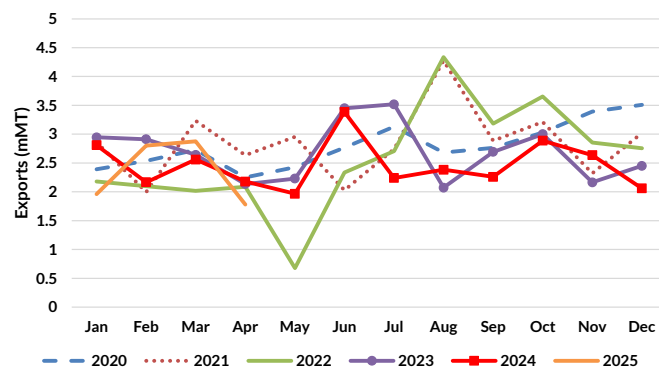
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Figure 4: Malaysia's monthly palm oil exports (-7.4% YoY in YTD-Jun 2025)



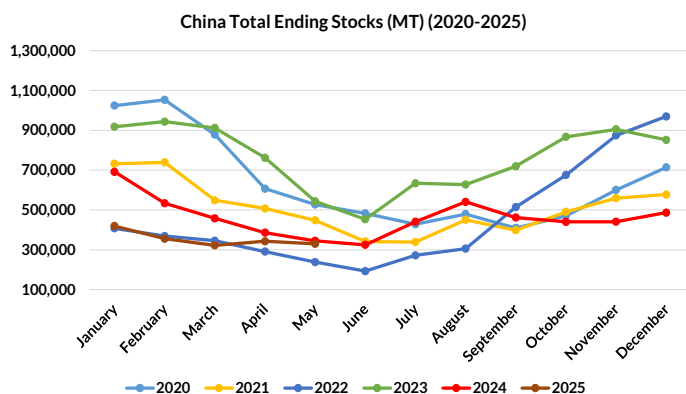
Source: MPOB

Figure 5: Indonesia's YTD-Apr 2025 exports at -3.1% YoY



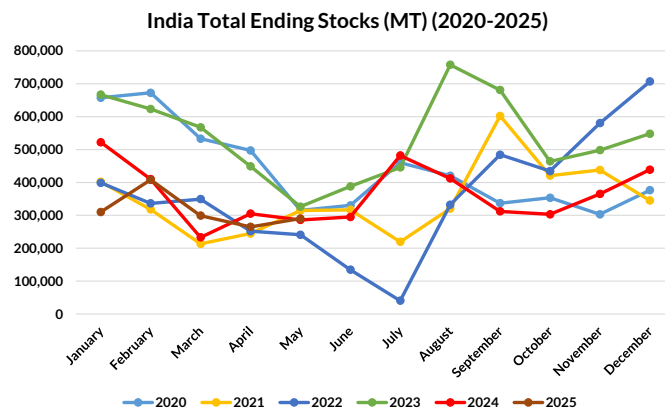
Source: Indonesian Palm Oil Association (GAPKI)

Figure 6: China's palm oil stocks decreased to 42% below the historical average as at end-May 2025 (vs -39% at end-Apr 2025)



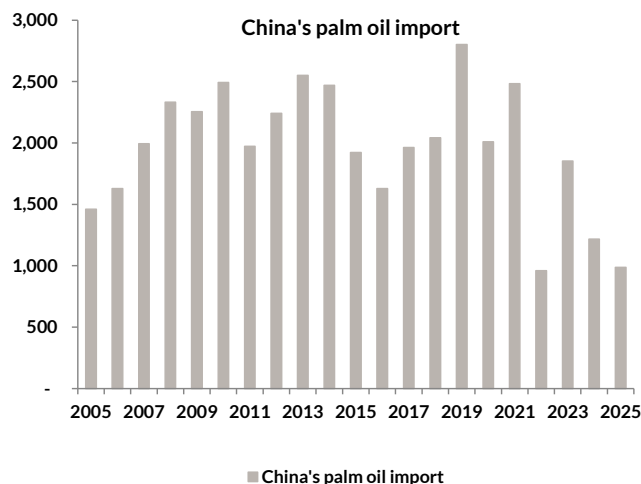
Source: Malaysian Palm Oil Council (MPOC)

Figure 7: India's PO stocks improved to 29% below the historical average as at end-May 2025 (vs -35% at end-Apr 2025)



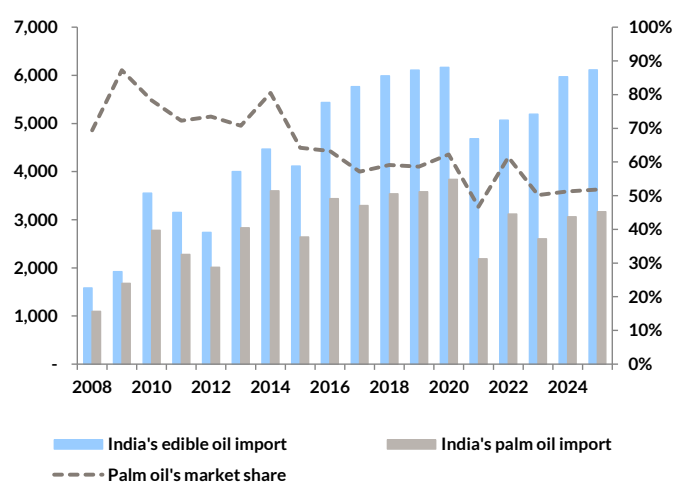
Source: MPOC

Figure 8: China's PO imports declined 19% in YTD-May 2025 (vs -21% YoY in YTD-Apr 2025)



Source: Bloomberg

Figure 9: India's edible oil imports decreased 20% YoY in YTD-May 2025, while its PO imports dropped 38%

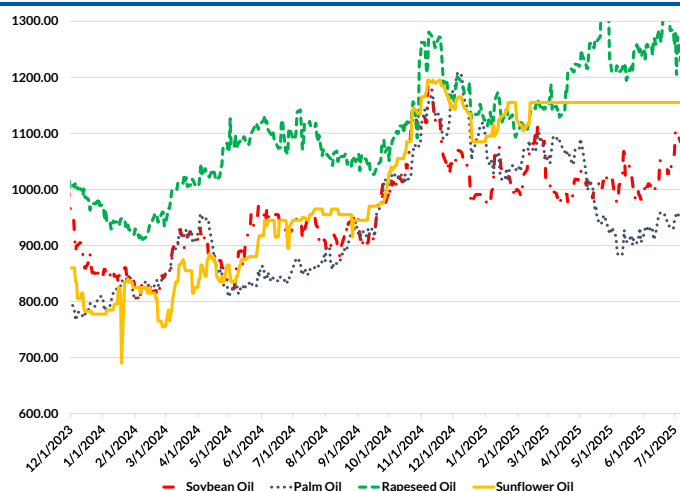


Source: Bloomberg

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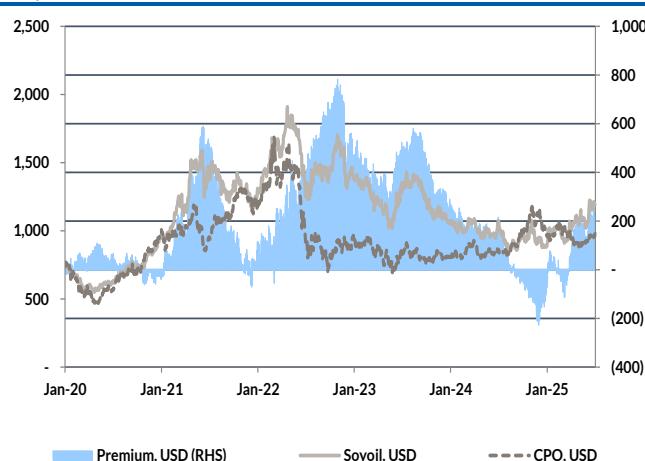
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Figure 10: CPO is now trading at a USD204/tonne discount to sunflower oil (from USD219/tonne discount in Jun 2025)



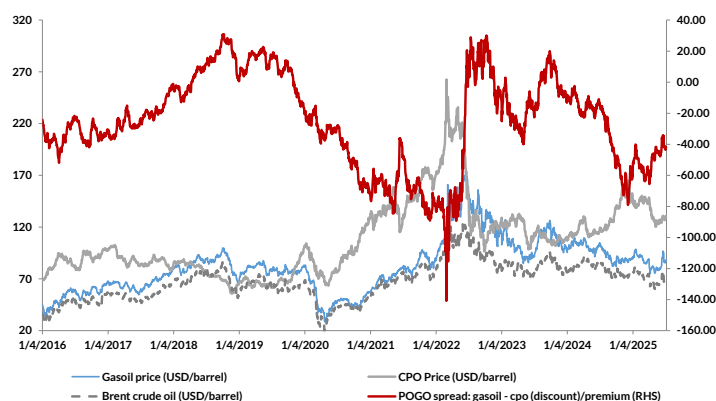
Note: Prices here refer to the FOB spot price
Source: Bloomberg

Figure 11: CPO is now trading at a USD214/tonne discount to soybean oil (from USD188/tonne discount on average in Jun 2025)



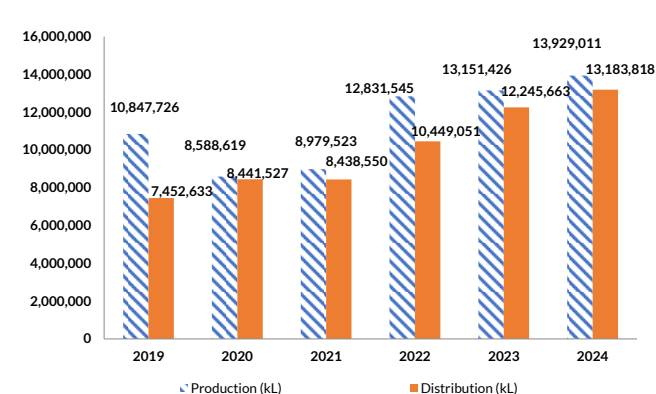
Source: Bloomberg

Figure 12: The gasoil-CPO price gap has slightly widened to USD43/bbl now vs USD41/bbl in Jun 2025



Source: Bloomberg

Figure 13: Biodiesel production (+6% YoY) and distribution in Indonesia (+8% YoY) in 2024



Source: Indonesia Biofuel Producer Association

Risks

The main downside risks to our outlook include:

- Trade war;
- Significant changes in the crude oil price trend, which may result in changes in biodiesel mandates;
- Weather abnormalities resulting in an oversupply or undersupply of vegetable oils;
- Significant changes in the demand for vegetable oils, caused by changes in economic cycles or price dynamics;
- Worsening labour situation in Malaysia causing production to be affected negatively;
- Revision in Indonesia's tax structure and trade policies;
- More ESG issues being pinpointed for listed companies.

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Figure 14: New effective CPO prices in Indonesia (applicable from 17 May 2025)

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)	1,017	994	972	949	926	904	881	859	836	813	791	768	746	723	700	678
Levy (USD) Rate (10% of price)	102	99	97	95	93	90	88	86	84	81	79	77	75	72	70	68
Levy (MYR) Rate	450	440	430	420	410	400	390	380	370	360	350	340	330	320	310	300
Export (USD) Tax	148	148	124	124	74	74	52	52	52	33	33	18	18	3	3	-
Export (MYR) Tax	655	655	549	549	328	328	328	230	230	146	146	80	80	13	13	-
Effective Indo Price NEW minus OLD	3,395	3,305	3,321	3,231	3,362	3,272	3,182	3,190	3,100	3,094	3,004	2,980	2,890	2,867	2,777	2,700
Effective Indo Price (USD/tonne)	(113)	(110)	(108)	(105)	(103)	(100)	(98)	(95)	(93)	(90)	(88)	(85)	(83)	(80)	(78)	(75)

Note: *Exchange rate conversion applied = MYR4.43/USD

Source: RHB

Figure 15: Effective CPO prices in Malaysia (applicable from 1 Jan 2025)

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 MYR3,150/tonne)	203	188	173	158	143	128	113	98	83	68	53	38	23	8	-	-
East Malaysia – Windfall tax (15% above MYR3,650/tonne)	128	113	98	83	68	53	38	23	8	-	-	-	-	-	-	-
Export tax (%)	10.0	10.0	10.0	10.0	10.0	9.5	9.0	9.0	8.5	8.0	8.0	7.5	7.5	7.0	6.5	6.0
Export tax (MYR/tonne)	450	440	430	420	410	380	351	342	315	288	280	255	248	224	202	180
Effective West Malaysia price (MYR/tonne)	3,848	3,773	3,698	3,623	3,548	3,493	3,437	3,361	3,303	3,245	3,168	3,108	3,030	2,969	2,899	2,820
Effective East Malaysia price (MYR/tonne)	3,923	3,848	3,773	3,698	3,623	3,568	3,512	3,436	3,378	3,312	3,220	3,145	3,053	2,976	2,899	2,820
NEW minus OLD Effective East Malaysia price (MYR/tonne)	(68)	(66)	(64)	(62)	(60)	(38)	(17)	(16)	4	23	23	23	6	23	15	-
NEW minus OLD Effective East Malaysia price (MYR/tonne)	(68)	(66)	(64)	(62)	(60)	(38)	(17)	(16)	4	15	-	-	-	-	-	-

Source: RHB

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Figure 16: 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 17: Labour shortage among Malaysian planters

	Shortage (end-1Q25)	Comments
SDG	Fully staffed	
IOI	Fully staffed	
KLK	Fully staffed	
SOP	<4%	Management has been focusing on training existing workers, and note that labour is no longer a concern
TAH	Fully staffed	Helped by contract workers

Source: RHB

Figure 18: Regional companies' forward sales positions

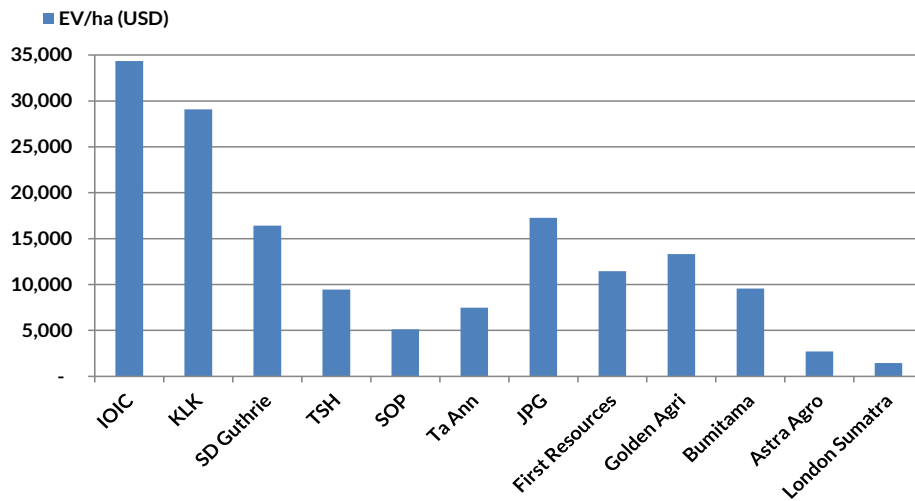
Company	Forward sales for 2025 (as at end-1Q25)
KLK	10% of Malaysian production three months ahead
IOI	70% of production, sold on an average of two months forward
SDG	It has sold about 12% of its May-Dec Peninsular output at MYR4,200/tonne
SOP	None
FGV	Around 20 – 30% of its production
TAH	None
FR	No 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

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Figure 19: Peer comparison based on EV/ha



Source: RHB

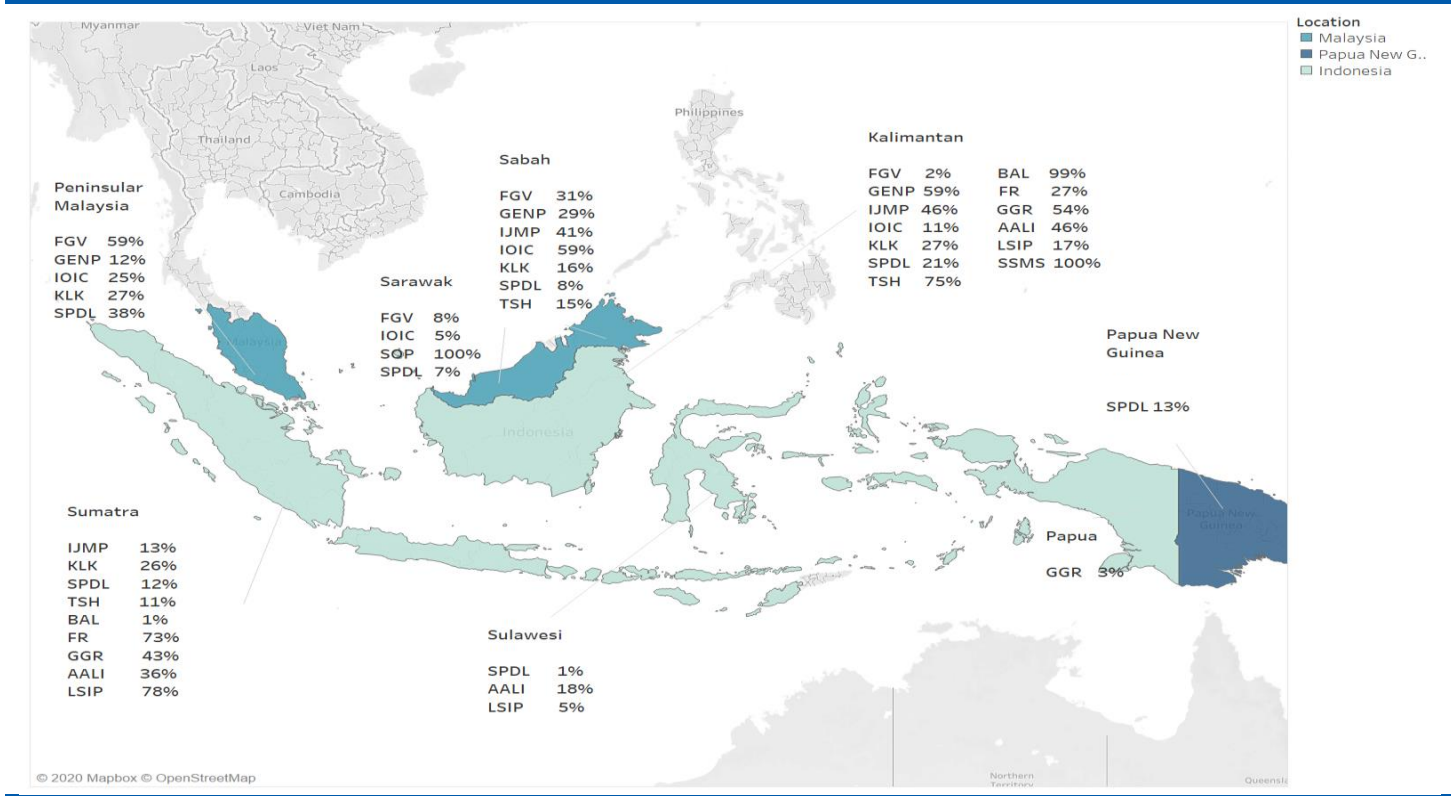
Figure 20: Regional peer comparison

	BBG ticker	Market cap (USDm)	Rating	Price (local ccy)	TP (local ccy)	Core P/E FY25F	Core P/E FY26F	P/BV FY25F	Net gearing FY25F	Div yield FY25F	ROE FY25F	EV/ha USD
Kuala Lumpur Kepong	KLK MK	5,458	Neutral	20.84	20.65	19.6	21.2	2.5	54.4%	2.4%	8.3%	29,081
Sarawak Oil Palms	SOP MK	681	Buy	3.24	3.80	5.5	5.9	0.7	Cash	4.0%	13.0%	5,118
IOI Corp	IOI MK	5,617	Buy	3.85	4.30	18.9	17.9	1.9	14.2%	2.6%	10.5%	34,345
SD Guthrie	SDG MK	7,742	Buy	4.76	5.45	22.1	22.5	1.7	19.9%	2.3%	7.9%	16,415
Ta Ann	TAH MK	399	Neutral	3.85	3.60	9.5	9.8	0.9	Cash	8.3%	9.6%	7,490
TSH Resources	TSH MK	354	Neutral	1.15	1.10	10.1	11.2	0.7	Cash	1.7%	7.6%	9,448
Johor Plantations	JPG MK	719	Buy	1.23	1.45	11.1	11.4	1.0	41.1%	4.5%	9.6%	17,259
Wilmar	WIL SP	14,473	Neutral	2.97	2.80	12.3	11.2	0.7	110.6%	5.1%	5.9%	N/A
Bumitama Agri	BAL SP	1,056	Neutral	0.78	0.80	7.8	8.1	1.1	6.3%	8.4%	15.1%	9,574
Golden Agri	GGR SP	2,475	Neutral	0.25	0.25	9.0	8.8	0.5	27.9%	2.2%	19.7%	13,315
First Resources	FR SP	1,802	Buy	1.49	1.70	7.5	8.4	1.2	1.4%	6.6%	16.9%	11,458
PP London	LSIP IJ	554	Buy	1,320	1,500	5.6	6.1	0.6	Cash	5.7%	11.5%	1,453
Sumatra Indonesia	AALI IJ	693	Neutral	5,850	6,090	8.8	9.3	0.5	Cash	4.6%	5.2%	2,718
Regional Average						11.4	11.7	1.1				10,801

Note: Prices are as at 10 July 2025

Source: Bloomberg, Company data, RHB

Figure 21: Breakdown of plantation companies' landbank



Source: Company data, RHB

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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