

Plantation

Tariffs Equal Volatility; OVERWEIGHT

- **Maintain OVERWEIGHT; Top Picks: Johor Plantations Group (JPG), Sarawak Oil Palms (SOP), Bumitama Agri (BAL), London Sumatra Indonesia (LSIP), and SD Guthrie (SDG).** Despite geopolitical tensions and volatile CPO prices, PO supply remains tight while currently discounted CPO prices and impact from the US tariffs should be nett positive for demand. PO inventory increased to 1.56m tonnes in March from higher production, albeit offset by a slight increase in exports. We expect PO inventory to continue picking up but still remain below the 2m tonne mark.
- **In the short term, price relativity between CPO and other oils will still play a part on demand.** In March, CPO traded at a premium of USD54/tonne to soybean oil (SBO), but from the beginning of April, this has reversed and CPO is now back to trading at a discount of USD66/tonne to SBO. This means that the demand for PO should improve in April due to more attractive pricing.
- **We believe the impact of US tariffs are a nett positive for demand in the medium term,** should the US switch away from Indonesian PO to Malaysian PO (given lower import tariffs on Malaysia vs Indonesia) and if China switches away from US soybeans to PO (given the retaliatory tariffs of 84% on US products).
- **In the longer term, Indonesia's biodiesel mandates will continue to drive PO demand.** Although the palm oil gasoil (POGO) spread has slightly widened to USD46/bbl (USD339/tonne) vs USD41/bbl (USD301/tonne) in Jan-Mar 2025, Indonesia's B40 funding is no longer an issue with the emergence of public service obligation (PSO) vs non-PSO funding and the soon-to-be increased export levy rate to 10% (from 7.5%), assuming a carry forward of funding of USD1bn from 2024. We estimate there will be sufficient funds to subsidise B40, provided gas oil prices do not drop below USD48/bbl (currently at USD75/bbl) – assuming all other factors remain constant.
- **PO supply remains tight...** Despite geopolitics and weather issues, CPO prices remain elevated due to the tight supply of PO and low stock levels, with YTD prices at MYR4,717/tonne. PO stocks in Malaysia rose to 1.56m tonnes in end-March – 20% below the historical average (1.95m tonnes), as output and exports rose 17% and 1% MoM. Meanwhile, Indonesia's end-Dec 2024 stocks of 2.58m tonnes is 27% below the historical average of 3.56m tonnes.
- **...while global supply for other oilseeds are also shrinking.** In 2025F, sunflower seed output is expected to drop 7.7% (+5.5% in 2024), while rapeseed output is expected to drop 6.8% YoY (-0.1% in 2024), due to drought damage in Ukraine, Russia, Canada, and the EU. However, as global soybean output continues to rise (+5.1% YoY in 2025F, +6.1% in 2024), reliance on soybean crushing activities will also rise 6.9% YoY in 2025F (+4.5% in 2024). Despite this, we highlight that stock-to-usage (S/U) ratios for the composite 17 Oils and Fats is expected to remain tight in 2025F, ie at 12.5% (from 13.1% in 2024 and below the historical average of 13.6%).
- **Stay OVERWEIGHT.** Valuations are shrinking as earnings grow. The current regional 2025 P/E average is 10x (vs historical average: 14x).

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	IDR6,150	12.8	8.6	0.5	5.0	5.0
Bumitama Agri	Buy	SGD1.00	26.9	7.6	1.1	15.5	7.7
FGV Holdings	Neutral	MYR1.20	16.4	8.8	0.6	6.8	4.1
First Resources	Buy	SGD1.85	23.2	7.5	1.2	16.4	6.7
IOI Corp	Buy	MYR4.90	36.4	16.0	1.7	11.2	2.9
Johor Plantations Group	Buy	MYR1.65	51.4	9.7	0.9	9.7	5.3
Kuala Lumpur Kepong	Buy	MYR25.40	30.9	17.9	2.3	8.4	2.6
PP London Sumatra Indonesia	Buy	IDR1,530	42.3	4.8	0.5	11.0	7.0
Sarawak Oil Palms	Buy	MYR4.80	67.2	5.1	0.6	12.4	4.5
SD Guthrie	Buy	MYR5.65	23.8	19.5	1.6	8.6	3.1
Ta Ann	Neutral	MYR3.90	1.0	8.5	0.9	10.7	8.5
TSH Resources	Neutral	MYR1.20	11.4	10.6	0.7	6.8	1.9
Wilmar International	Neutral	SGD3.00	(4.8)	11.5	0.7	6.4	5.0

Source: Company data, RHB

Overweight (Maintained)

Stocks Covered 13
Rating (Buy/Neutral/Sell): 8 / 5 / 0
Last 12m Earnings Revision Trend: Positive

Top Picks

Top Picks	Target Price
SD Guthrie (SDG MK) – BUY	MYR5.65
Johor Plantations Group (JPG MK) – BUY	MYR1.65
Sarawak Oil Palms (SOP MK) – BUY	MYR4.80
Bumitama Agri (BAL SP) – BUY	SGD1.00
London Sumatra Indonesia (LSIP IJ) – BUY	IDR1,530

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CPO vs SBO Prices- CPO back to trading at discount



Source: Bloomberg

Figure 1: US PO imports breakdown by country

Countries	Palm oil exports to US (m tonnes)	% of total exports to US
Indonesia	1.595	85%
Malaysia	0.191	10%
Others	0.094	5%
Total	1.877	100%

Source: Oil World, Malaysian Palm Oil Council (MPOC)

Monthly statistics

Figure 2: Monthly CPO statistics

('000 tonnes)	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Opening stocks	1,920	1,713	1,745	1,753	1,831	1,754	1,883	2,012	1,885	1,836	1,709	1,580	1,510
Imports	22	35	21	12	10	10	5	16	22	38	88	67	122
Production	1,392	1,502	1,704	1,615	1,841	1,894	1,822	1,797	1,621	1,487	1,240	1,188	1,387
Total supply	3,334	3,249	3,470	3,380	3,683	3,658	3,711	3,825	3,529	3,361	3,037	2,835	3,019
Exports	1,327	1,235	1,382	1,207	1,690	1,529	1,560	1,744	1,490	1,342	1,197	996	1,006
Domestic use	295	270	334	342	239	246	139	196	203	310	260	329	450
Total off take	1,622	1,505	1,717	1,549	1,928	1,775	1,699	1,940	1,693	1,652	1,457	1,326	1,456
End-month stocks	1,713	1,745	1,753	1,831	1,754	1,883	2,012	1,885	1,836	1,709	1,580	1,510	1,563
Production YTD	4,054	5,556	7,261	8,876	10,717	12,611	14,433	16,230	17,851	19,338	1,240	2,428	3,815
MoM (%)	10.6	7.9	13.5	(5.2)	14.0	2.9	(3.8)	(1.3)	(9.8)	(8.3)	(16.6)	(4.2)	16.8
YoY (%)	8.1	25.5	12.3	11.6	14.3	8.0	(0.4)	(7.2)	(9.4)	(4.1)	(11.6)	(5.7)	(0.4)
YTD (%)	3.4	8.5	9.4	9.8	10.5	10.2	8.7	6.7	5.0	4.2	(11.6)	(8.8)	(5.9)
Exports YTD	3,701	4,935	6,318	7,525	9,215	10,743	12,303	14,048	15,538	16,880	1,197	2,193	3,199
MoM (%)	29.5	(6.9)	12.0	(12.7)	39.9	(9.5)	2.0	11.8	(14.6)	(10.0)	(10.8)	(16.7)	0.9
YoY (%)	(10.8)	13.5	28.1	3.0	24.8	25.1	28.8	17.8	6.0	(1.5)	(11.3)	(2.7)	(24.2)
YTD (%)	(1.4)	2.0	6.7	6.1	9.1	11.1	13.1	13.7	12.9	11.6	(11.3)	(7.6)	(13.6)
Stocks													
MoM (%)	(10.8)	1.9	0.5	4.5	(4.2)	7.3	6.8	(6.3)	(2.6)	(6.9)	(7.5)	(4.5)	3.5
YoY (%)	2.3	16.5	3.9	6.5	1.2	(10.8)	(13.1)	(23.0)	(23.6)	(25.4)	(21.8)	(21.4)	(8.8)

Source: Malaysian Palm Oil Board (MPOB), RHB

March production rose 17% MoM (-0.4% YoY), bringing YTD-Mar 2025 output growth to -5.9% YoY. The MoM increase came from all three regions, with West Malaysia and Sabah recording +19% growth, followed by Sarawak, at +11% MoM. Meanwhile, the flattish YoY figures are mainly due to West Malaysia (-4.2%) and Sabah (-5%), but offset by Sarawak (+16.3%). In Indonesia, 4Q24 CPO output rose 9% QoQ, ending 2024 output at -3.9% YoY. We expect output in Malaysia to continue picking up gradually over the next few months, to head towards the peak in 3Q25. As for Indonesia, the low output season would have started in earnest in 1Q25.

Malaysian exports marginally rose by 1% MoM in March, bringing YTD-Mar 2025 exports to -13.6% YoY. The MoM increase, albeit small, was recorded despite CPO trading at a premium against SBO by an average of USD54 per tonne in March vs February's premium of USD2 per tonne, likely owing to the increased demand from *Aidilfitri* season. However, we note since early April, SBO prices have risen while CPO prices declined, and CPO is now back to trading at a discount of USD66 per tonne to SBO and a slightly larger discount of USD86/tonne to sunflower oil (vs USD69/tonne discount in Feb). This, together with the US tariff impact should see PO demand coming back stronger in April from both China and India.

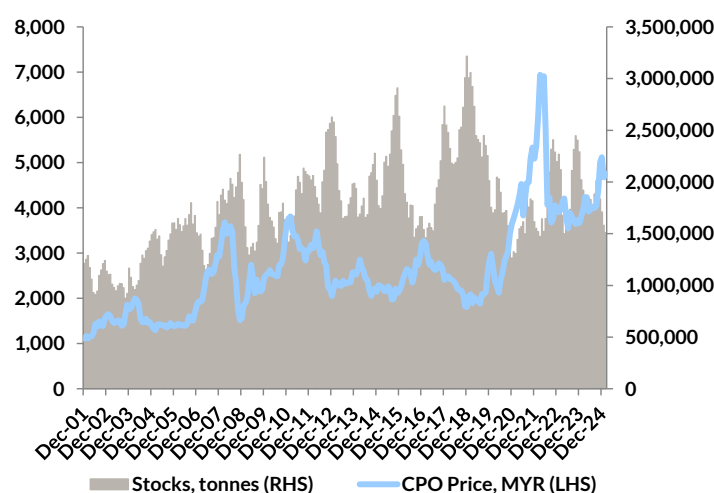
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Inventory restocking likely to continue in April. Despite CPO trading at a premium to SBO on average in March, we saw Malaysian exports increasing marginally. Going forward, given the more attractive CPO pricing currently, we expect to see restocking activities to continue – although buying activities would still likely lean towards Indonesia PO, considering its more advantageous tax structure (at 17.9% vs Malaysia's 10%) – after assuming the recent proposal to reduce export tax for PO by 5 ppt and the revision of CPO levy by +2.5ppt. March PO stock levels at importing countries have not been released yet. At end-Feb, India's PO stocks was at historical averages (vs 24% below in Jan), while Bangladesh's PO stocks was at 32% above the historical average (vs -26% at end-Jan). However, China's PO stocks remained low at 37% below historical average at end-Feb (vs -26% at end-Jan), while Pakistan's was at -2% below historical average (vs +5% last month).

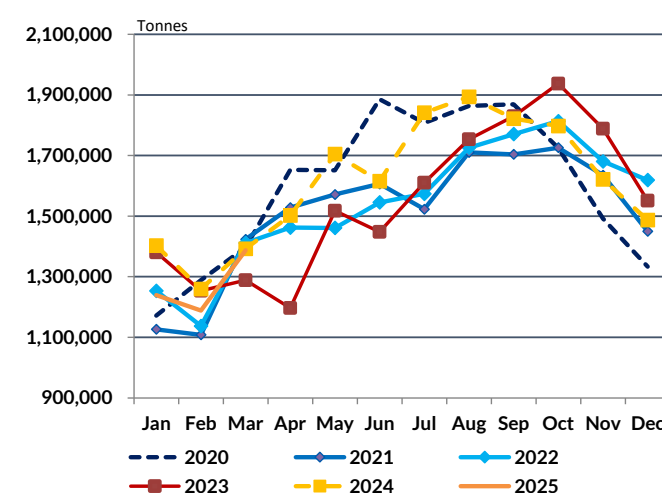
March inventory levels rose to 1.56m tonnes (+3.5% MoM and -8.8% YoY from 1.71m tonnes in Mar 2024). This was mainly due to the increase in production and imports, but offset by the slight increase in exports. With this, Mar 2025 annualised stock/usage ratio improved to 7.93% from 7.6% in Feb 2025, though still significantly below the 15-year historical average of 10%. Going forward, we expect stock levels to continue picking up gradually, but still likely to remain below the 2m-tonne mark, thereby being supportive of CPO prices.

Figure 3: CPO inventory was at 1.56m tonnes in Mar 2025 (-8.8% YoY from 1.71m tonnes in Mar 2024)



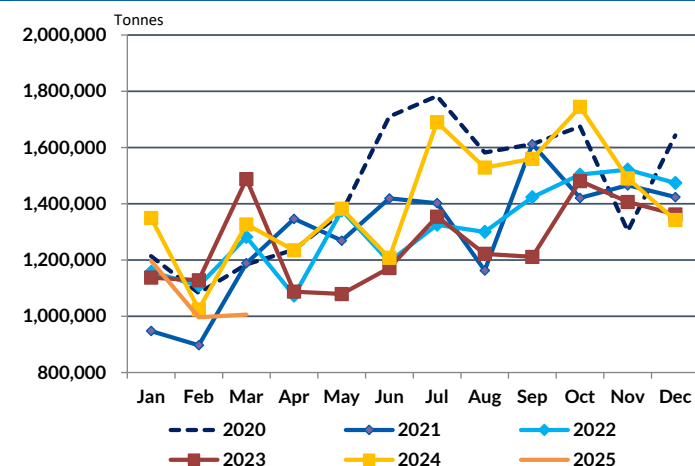
Source: MPOB, Bloomberg

Figure 4: Malaysia's CPO production (-5.9% YoY in YTD-Mar 2025)



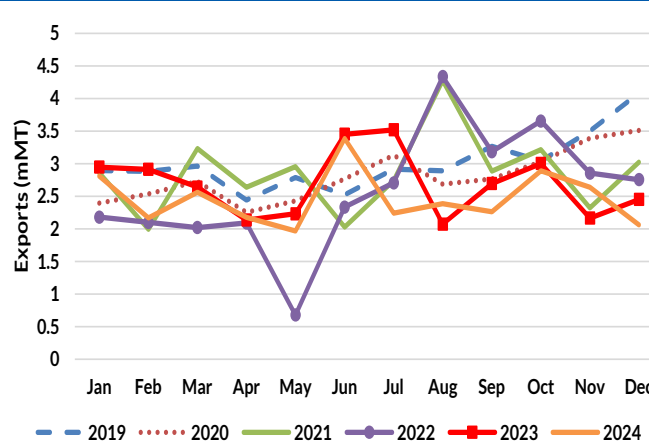
Source: MPOB, RHB

Figure 5: Malaysia's monthly palm oil exports (-13.6% YoY in YTD-Mar 2025)



Source: MPOB

Figure 6: Indonesia's 2024 exports at -8.3% YoY

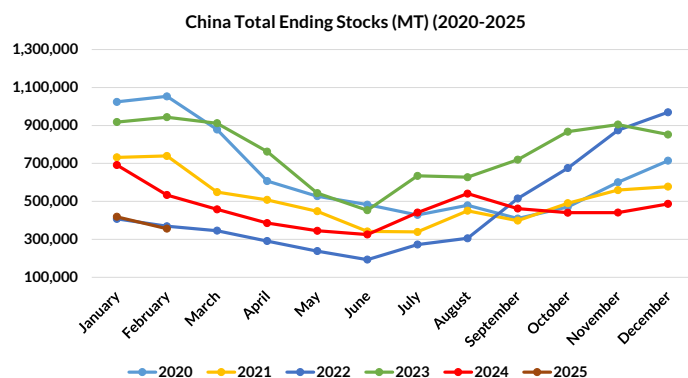


Source: Indonesian Palm Oil Association (GAPKI)

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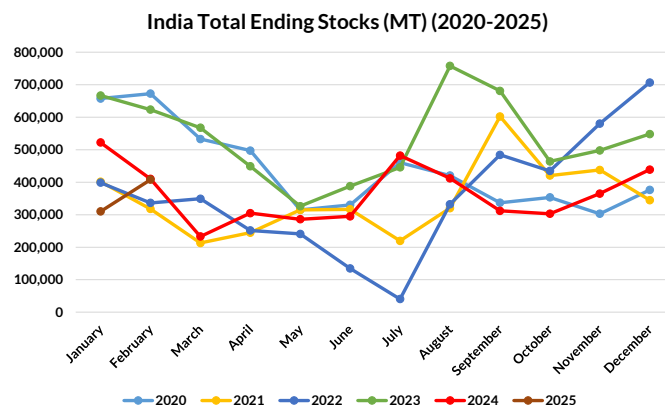
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Figure 7: China's palm oil stocks were 37% below the historical average as at end-Feb 2025 (vs -26% at end-Jan 2025)



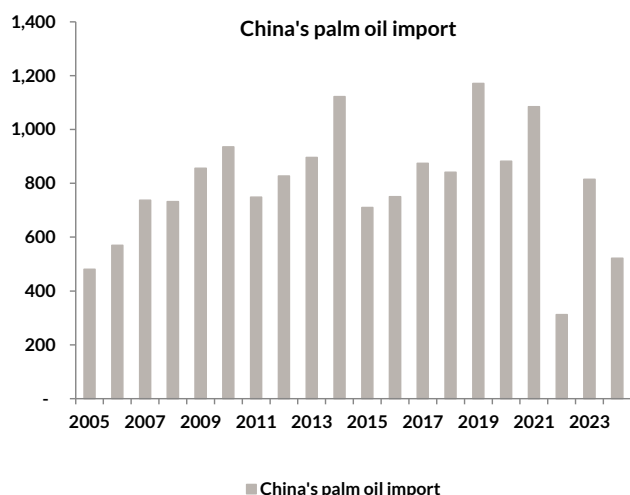
Source: Malaysian Palm Oil Council (MPOC)

Figure 8: India's PO stocks rose to historical average as at end-Feb 2025 (vs -24% at end-Jan 2025)



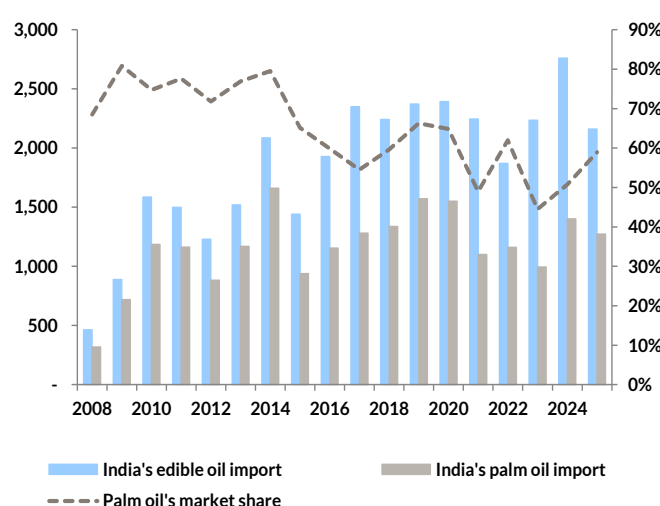
Source: MPOC

Figure 9: China's PO imports declined 37% in YTD-Feb 2025 (vs -54% YoY in Jan 2025)



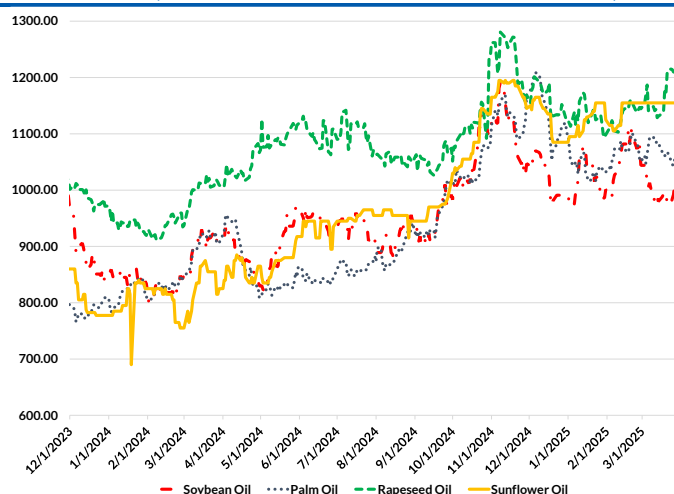
Source: Bloomberg

Figure 10: India's edible oil imports decreased 12% YoY in YTD-Feb 2025, while its PO imports plunged 49%



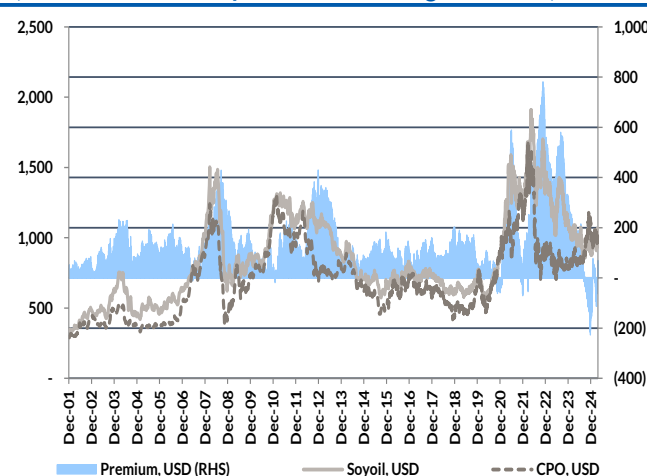
Source: Bloomberg

Figure 11: CPO is now trading at a USD121/tonne discount to sunflower oil (from USD74/tonne discount in mid-March)



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

Figure 12: CPO is trading at a USD66/tonne discount to soybean oil (from USD54/tonne premium on average in March)

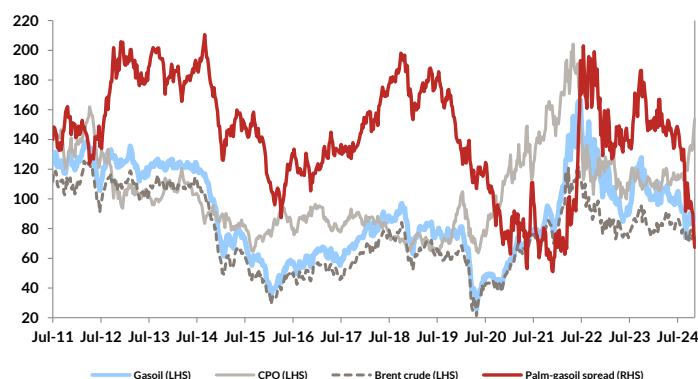


Source: Bloomberg

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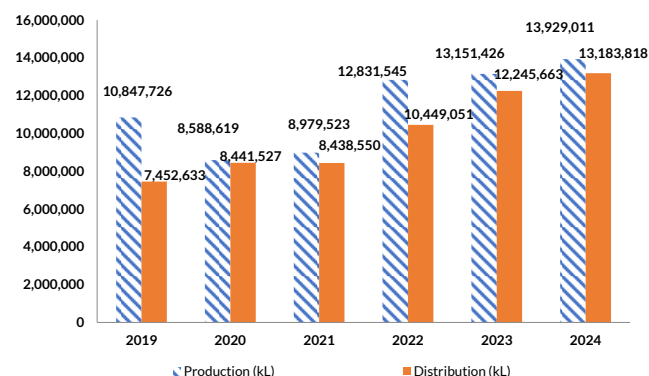
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Figure 13: The gasoil-CPO price gap has slightly widened to USD46/bbl now vs USD41/bbl in Jan-Mar 2025



Source: Bloomberg

Figure 14: 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.

Figure 15: Effective CPO prices in Indonesia (applicable from 21 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)	1,096	1,072	1,048	1,023	999	974	950	926	901	877	853	828	804	780	755	731
Levy rate (USD) (7.5% of CPO price)	82	80	79	77	75	73	71	69	68	66	64	62	60	58	57	55
Levy rate (MYR)	338	330	323	315	308	300	293	285	278	270	263	255	248	240	233	225
Export tax (USD)	201	178	178	148	148	124	124	74	74	52	52	33	33	18	18	18
Export tax (MYR)	825	731	731	608	608	509	509	304	304	213	213	135	135	74	74	74
Effective Indonesia Price	3,337	3,339	3,247	3,277	3,185	3,191	3,098	3,211	3,119	3,117	3,024	3,010	2,917	2,886	2,794	2,701

Note: *Exchange rate conversion applied = MYR4.105/USD

Source: RHB

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Figure 16: 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	180.00
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

Figure 17: 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%
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 18: Labour shortage among Malaysian planters

	Shortage (end-4Q24)	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
FGV	12%	West Malaysia: 4% shortage, Sabah: 10% shortage and Sarawak: 30% shortage. FGV targets to bring down Sarawak's shortage to about 5-10% by end 2025

Source: RHB

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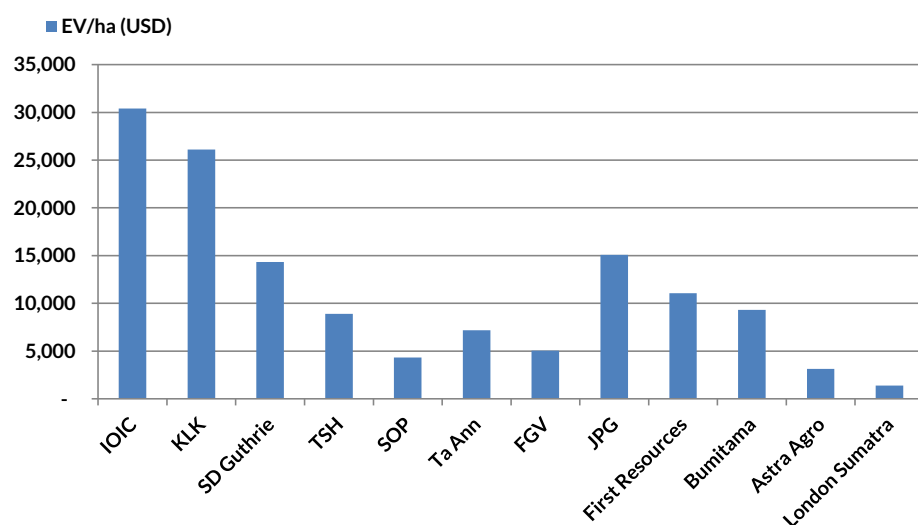
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Figure 19: Regional companies' forward sales positions

Company	Forward sales for 2024 (as at end-4Q24)
KLK	10% of Malaysian production on average for three months ahead
IOI	20-50% of production, sold on an average of three months forward
SDG	It has sold 24% of its FY25 Malaysian output at MYR4,400/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
LSIP	Minimal to none
AALI	Minimal

Source: Company data, RHB

Figure 20: Peer comparison based on EV/ha



Source: RHB

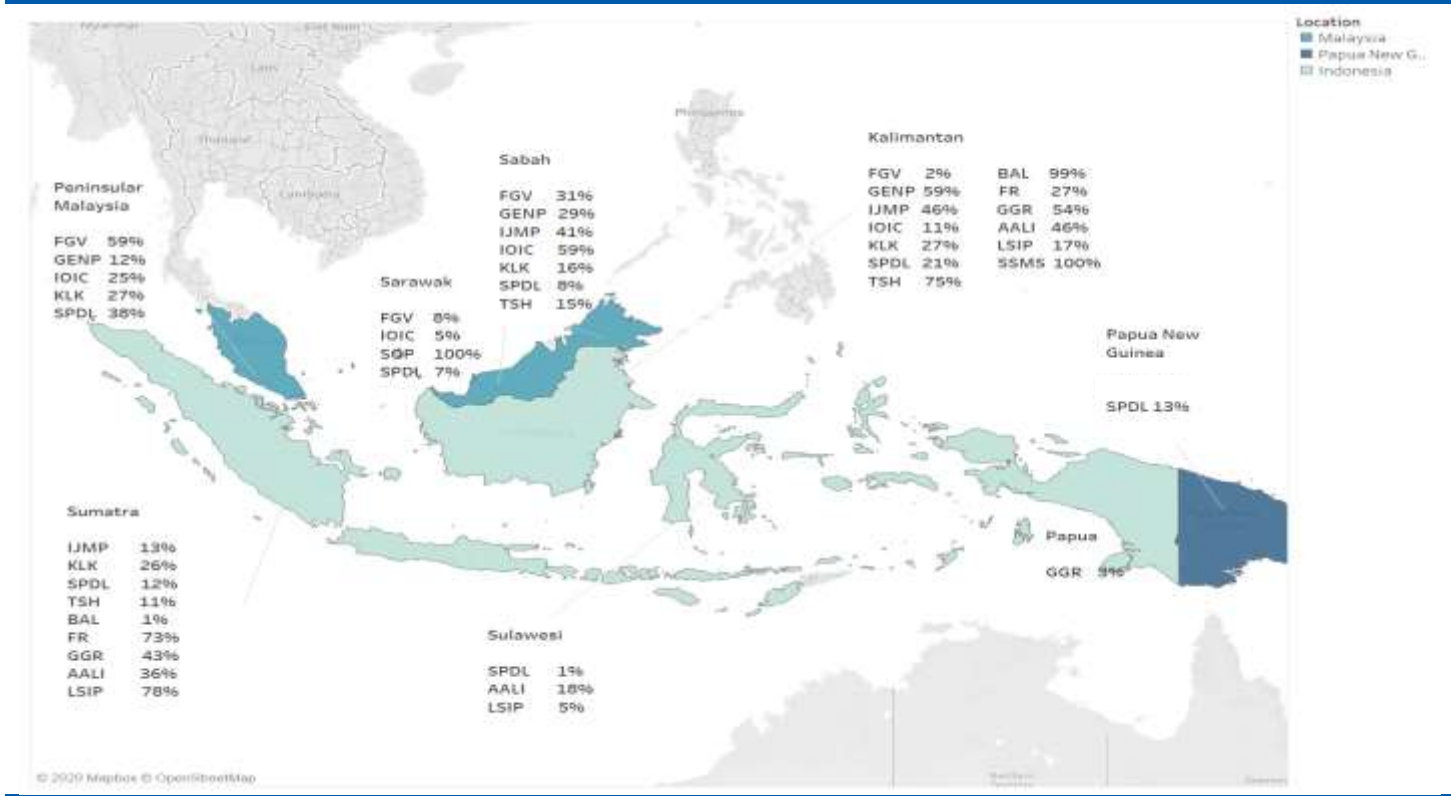
Figure 21: Regional peer comparison

	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	KLK MK	4,833	Buy	19.40	25.40	17.8	18.3	2.3	53.5%	2.6%	8.5%	26,117
Kepong	SOP MK	574	Buy	2.87	4.80	5.1	5.6	0.6	Cash	4.5%	12.4%	4,335
Sarawak Oil Palms	IOI MK	4,982	Buy	3.59	4.90	16.9	15.2	1.8	13.4%	2.8%	11.0%	30,411
IOI Corp	SDG MK	7,055	Buy	4.56	5.65	19.5	20.1	1.6	20.3%	3.1%	8.6%	14,329
SD Guthrie	TAH MK	380	Neutral	3.86	3.90	8.5	9.0	0.9	Cash	8.5%	10.7%	7,185
Ta Ann	TSH MK	322	Neutral	1.08	1.20	10.6	11.3	0.7	Cash	1.9%	6.8%	8,889
TSH Resources	FGV MK	841	Neutral	1.03	1.20	8.8	10.1	0.6	21.8%	4.1%	6.8%	5,055
FGV Holdings	JPG MK	719	Buy	1.09	1.65	9.7	10.4	0.9	41.2%	5.3%	9.7%	15,085
Johor Plantations	WIL SP	14,721	Neutral	3.15	3.00	11.5	10.7	0.7	110.4%	5.0%	6.4%	N/A
Wilmar	BAL SP	1,026	Buy	0.79	1.00	7.6	8.3	1.1	4.3%	7.7%	15.5%	9,319
Bumitama Agri	FR SP	1,740	Buy	1.50	1.85	7.5	8.0	1.2	1.8%	6.7%	16.4%	11,050
First Resources	LSIP IJ	436	Buy	1,075	1,530	4.8	5.1	0.5	Cash	7.0%	11.0%	1,381
PP London	AALI IJ	624	Neutral	5,450	6,150	8.6	9.0	0.5	Cash	5.0%	5.0%	3,125
Sumatra Indonesia						10.3	10.6	0.9				11,037
Astra Agro Lestari												
Regional Average												

Note: Prices are as at 10 April 2025

Source: Bloomberg, Company data, RHB

Figure 22: Breakdown of plantation companies' landbanks



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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