



AmInvestment Bank

Sector report

PLANTATION SECTOR

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News flow for week 14 – 18 Oct

NEUTRAL

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Rationale for report: Sector update

Quick Take

- *Bloomberg* reported that Indonesia has raised biodiesel usage quotas by 45% in 2020F as the country increases the blending mandate to B30 from B20. Indonesia has awarded 9.6mil kiloliters (8.36mil tonnes) of biodiesel quota to 18 companies including PT Pertamina, PT ExxonMobil Lubricants Indonesia and PT Shell Indonesia. The allocation for this year is 6.6mil kiloliters (5.75mil tonnes). Biodiesel suppliers include PT Wilmar Bioenergi Indonesia and PT Musim Mas. Out of the 9.6mil kiloliters of biodiesel quota, PT Pertamina was allocated 8.38mil kiloliters (7.30mil tonnes).
- In another development, *Bloomberg* said that Indonesia is clamping down on illegal palm oil plantations. A government investigation found that 3.1mil hectares or about 19% of the country's palm oil plantations are operating without permits in forest areas. Authorities are in the process of identifying the owners of the unlicensed plantations and are seeking legal advice on how to deal with them. The country is also formulating regulations that will allow the government to rescind permits for unplanted concessions.
- The USDA (US Department of Agriculture) has released its monthly demand and supply projections for vegetable oils. The USDA has reduced its 2019E/2020F forecast of US soybean inventory by 28.1% to 460mil from 640mil bushels. The revision is due to a 2.3% reduction in US soybean production and 9.2% decline in carry-over inventory. It is now expecting US soybean output to be 3,550mil tonnes in 2019E/2020F vs. 3,633mil tonnes previously as yields are envisaged to be weaker.
- Dragged by lower US soybean inventory, world soybean stockpiles are estimated to be 95.21mil tonnes in 2019E/2020F against 99.19mil tonnes originally. Comparing 2019E/2020F against 2018/2019E, world soybean inventory is expected to fall by 13.3% to 95.21mil tonnes from 109.87mil tonnes.
- The USDA anticipates US soybean production to decline by 19.8% to 96.62mil tonnes in 2019E/2020F from 120.52mil tonnes in 2018/2019E. Soybean output in Brazil is estimated to rise by 5.1% to 123mil tonnes in 2019E/2020F from 117mil tonnes in 2018/2019E. In Argentina, soybean production is forecast to edge down to 53mil tonnes in 2019E/2020F from 55.3mil tonnes in 2018/2019E.
- *Reuters* reported that a constitutional court in France has upheld a law excluding palm oil from the country's biofuel scheme. The court has rejected an appeal by energy company, Total, which wanted to use palm oil in its biodiesel plant in southern France. The legislation will remove palm oil from a list of permitted biofuels from January 2020 and eliminate its tax incentives. Total's CEO said that there could be losses of up to €80mil for the biodiesel plant due to the court's rejection of palm biodiesel.
- *Reuters* also said that the Indonesian government aims to file a case against the EU over its discrimination against palm oil to the World Trade Organisation (WTO) in early November. An Indonesian government official did not elaborate on its plan. Indonesia has said that it would challenge the EU and its renewable energy directive at the WTO's dispute settlement body.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F
Indonesia									
PT Astra Agro	27.9	16.3	12.6	2.5	1.6	2.4	3.5	5.9	7.1
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	29.3	17.9	15.4	1.6	1.7	2.1	3.0	5.0	5.7
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	22.9	16.7	12.4	3.0	1.6	1.1	0.8	1.9	2.5
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	9.0	16.3	13.1	2.0	1.8	2.1	7.6	9.9	6.8
Sampoerna Agro	36.1	16.3	13.1	0.7	0.5	0.6	2.8	6.1	7.1
Sawit Sumbermas	38.7	17.8	12.5	0.3	0.8	1.7	-	-	-
Simple average	27.3	16.9	13.2	1.7	1.3	1.7	3.5	5.7	5.9
Singapore									
Wilmar International	14.3	12.5	11.7	3.0	2.8	3.0	6.9	7.5	7.6
Olam International	12.1	11.3	11.3	3.9	4.2	4.4	-	-	-
Noble Group	-	-	-	-	-	-	7.0	-	-
Golden Agri Resources	76.9	19.2	17.1	1.3	1.3	1.3	0.4	2.3	2.6
Indofood Agri Resources	10.1	5.9	5.1	1.1	0.9	1.5	1.8	1.4	2.6
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	18.6	12.8	10.7	2.6	1.8	2.6	9.2	13.4	14.1
Bumitama Agri	15.7	11.5	10.3	3.5	3.6	4.5	9.5	11.4	12.1
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	24.6	12.2	11.0	2.6	2.4	2.9	5.8	7.2	7.8
Malaysia									
Genting Plantations	46.5	32.7	26.7	1.4	1.6	1.9	3.7	5.4	6.2
IJM Plantations	-	58.8	32.7	1.8	1.9	2.2	0.5	1.6	2.7
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	34.6	31.7	29.1	2.0	2.1	2.3	8.5	8.9	9.3
Kuala Lumpur Kepong	34.7	27.4	25.0	2.0	2.3	2.4	5.9	7.2	7.7
Felda Global Ventures	-	60.6	26.6	0.6	1.5	2.6	0.3	2.6	4.2
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	34.5	15.4	10.4	1.9	2.5	3.2	1.2	3.4	4.7
TH Plantations	-	-	34.5	0.0	2.0	3.5	-8.7	-0.8	1.5
TSH Resources	30.5	22.7	18.4	1.0	1.4	1.8	2.8	3.7	4.4
SD Plantation	101.5	43.1	34.3	1.1	1.7	2.0	2.5	5.2	6.5
Sarawak Plantations	24.5	16.3	10.5	3.4	3.4	6.8	3.0	4.5	6.7
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	17.1	11.1	9.1	3.9	4.3	4.5	4.0	6.4	7.1
Jaya Tiasa	-	-	14.7	0.0	0.4	0.4	0.3	-	-
Hap Seng Plantations	63.9	30.6	24.9	1.1	1.7	1.8	1.1	2.1	2.2
Simple average	43.1	31.9	22.8	1.6	2.1	2.7	1.9	4.2	5.3

Source: Bloomberg

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