

Regional Plantations

POSITIVE

[Unchanged]

Off to a good start in 2022

Benefiting from weather risk in SA & ID's export rule

MPOB's Jan 2022 stockpile of 1.55mt (-4% MoM, +17% YoY) came in marginally below estimates surveyed by Bloomberg (1.58mt). Seasonal decline in Jan output has kept stockpile in tight supply. CPO ASP in Jan 2022 hit new high at MYR5,355/t, in part due to weaker-than-expected South America crop outlook. CPO ASP is likely to stay lofty in 1Q22 on tight supply of vegetable oils globally. Stay POSITIVE on the sector. Preferred BUYs are KLK, SOP and BPLANT.

Tight supply lingers on; rewarded by high CPO ASP

The lower MoM stockpile was largely due to a seasonal dip in CPO output (1.25mt; -14% MoM, +11% YoY) and lower imports (0.07mt; -31% MoM, -58% YoY) which more than offset weaker exports (1.16mt; -19% MoM, +22% YoY) and domestic consumption (0.23mt; -31% MoM, -21% YoY) - Fig.1. The heavy rainfall recorded the past 2 months appeared to have relatively muted impact on overall production in Jan. Meanwhile on demand, exports were generally lower MoM to all key export markets except Turkey, Vietnam, Philippines, and Bangladesh (Fig.2). The lower MoM output and exports were compensated by higher CPO and PK ASPs which averaged MYR5,355/t (+6% MoM +43% YoY) and MYR4,423/t (+11% MoM, +73% YoY) respectively in Jan.

A commendable start to prelim. exports in early Feb

The preliminary MY export estimates for shipments in the first 10 days of Feb 2022 by Amspec and Intertek (independent cargo surveyors) were 320,508t/318,078t (-5%/+0.5% MoM) respectively. The export numbers were pretty commendable considering the long Chinese New Year public holidays on 1-2 Feb. With ID's new export policy (and export permit) that came into effect on 28 Jan, MY's exporters are likely to temporarily benefit from it. Overall, we expect Feb's exports figures to be encouraging despite (1) present record palm oil prices, and (2) lesser working days in Feb (vs Jan).

USDA cuts South American (SA) crop forecasts

Yesterday, USDA joined the industry in further cutting its estimates for SA crop, following the drought that hit the southern part of Brazil (the world's largest soybean producing country) and Argentina (3rd largest after the USA). USDA reduced Brazil's harvest of soybeans by 5mt to 134mt for 2021/22 (2020/21: 138mt) in its latest monthly WASDE report. It also cut Argentina's soybean forecast by 1.5mt to 45mt for 2021/22 (2020/21: 46.2mt). Over in this region, ID's new export policy (effective 28 Jan) which required exporters to allocate 20% of their shipments for domestic market obligation raises concern over lesser availability of palm oil supply in the export market. And in Malaysia, labour shortage is worsening by the day especially in Peninsular Malaysia and Sarawak. Foreign workers rehiring dateline has been pushed back by several months. The above factors have been lending good support to CPO prices in recent weeks.

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Regional CPO price forecast

	2021A	2022F
	MYR/t	MYR/t
Full year avg (FOB)	4,407	3,200

MDEX / MPOB prices:

3M CPO price (10 Feb)	5,535
YTD (10 Feb) 3M CPO ASP	5,235
YTD (10 Feb) spot CPO ASP	5,427

Plantation stocks mentioned on cover page

Company	BBG ticker	Rec	Shr px	Tgt px
MY listed			LCY	LCY
KL Kepong	KLK	Buy	22.74	30.70
Swk Oil Palm	SOP	Buy	4.05	5.60
Bous.Plant	BPLANT	Buy	0.80	0.93

Source: Maybank IBG Research

Terms used in this note:

ASP - Average Selling Price
CPO - Crude Palm Oil
FCPO - Futures Crude Palm Oil
Feb - February
ID - Indonesia/ Indonesian
Jan - January
LCY - Local currency
mt - million tonnes
MoM - Month-on-Month
MPOB - Malaysian Palm Oil Board
MY - Malaysia/ Malaysian
PO - Palm Oil
SA - South America
SBO - Soybean oil
t - tonnes
USDA - United States Department of Agriculture
WASDE - World Agricultural Supply and Demand Estimates
YoY - Year-on-Year
YTD - Year-to-date

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x)		P/B (x)		Div yld (%)	
							21E	22E	21E	22E	21E	22E
Sime Darby Plant	SDPL MK	6,480	Buy	3.92	4.47	16	13.1	21.1	1.8	1.8	4.1	2.4
IOI Corp	IOI MK	5,919	Buy	3.94	4.54	18	18.8	18.6	2.4	2.3	2.8	3.2
KL Kepong	KLK MK	5,876	Buy	22.74	30.70	39	12.2	17.0	1.8	2.0	4.9	3.5
First Resources	FR SP	1,961	Hold	1.66	1.68	5	13.9	12.9	1.7	1.6	3.5	3.9
Genting Plant	GENP MK	1,471	Buy	6.86	8.28	24	16.3	19.9	1.2	1.2	3.6	3.0
Bumitama Agri	BAL SP	773	Buy	0.59	0.93	59	7.1	7.1	1.1	1.0	5.6	5.6
Swk Oil Palms	SOP MK	553	Buy	4.05	5.60	44	6.3	9.4	0.9	0.8	4.8	3.2
Boustead Plant	BPLANT MK	428	Buy	0.80	0.93	25	8.7	19.8	0.7	0.7	7.5	3.0
Ta Ann	TAH MK	409	Buy	3.85	3.96	9	7.9	12.6	1.1	1.0	7.8	4.8
TSH Resources	TSH MK	377	Buy	1.14	1.48	32	10.5	15.4	1.0	1.0	2.7	1.9
TH Plantations	THP MK	147	Sell	0.70	0.48	(31)	11.3	14.5	0.9	0.9	0.0	0.0

Fig 1: Malaysia's Monthly Palm Oil Statistics for Nov 2021 - Jan 2022

	Nov 21 (t)	Dec 21 (t)	Jan 22 (t)	MoM chg (%)	YoY chg (%)
Production	1,634,932	1,449,719	1,253,442	(14)	11
Imports	97,891	102,768	70,596	(31)	(58)
Consumption	284,812	331,133	228,242	(31)	(21)
Exports	1,465,518	1,423,821	1,157,976	(19)	22
Closing stock	1,817,061	1,614,594	1,552,414	(4)	17

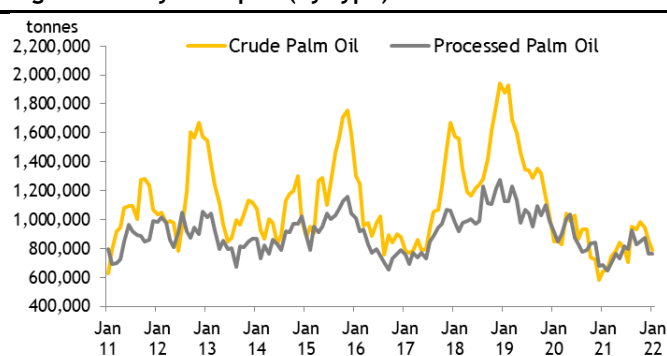
Source: MPOB

Fig 2: Malaysia's Monthly Export Destinations for Nov 2021 - Jan 2022

	Nov 21 (t)	Dec 21 (t)	Jan 22 (t)	MoM chg (%)	YoY chg (%)
Bangladesh	10,375	2,051	26,561	1195	3040
China	202,195	147,018	75,115	(49)	(34)
EU	155,713	163,916	120,992	(26)	24
India	417,502	382,952	225,402	(41)	57
Pakistan	38,572	35,199	29,582	(16)	(29)
Philippines	47,970	38,772	57,018	47	28
Turkey	64,241	65,796	97,327	48	103
USA	18,791	19,485	2,892	(85)	(94)
Vietnam	51,345	39,901	59,091	48	90
Others	458,814	528,731	463,996	(12)	21
Total	1,465,518	1,423,821	1,157,976	(19)	22

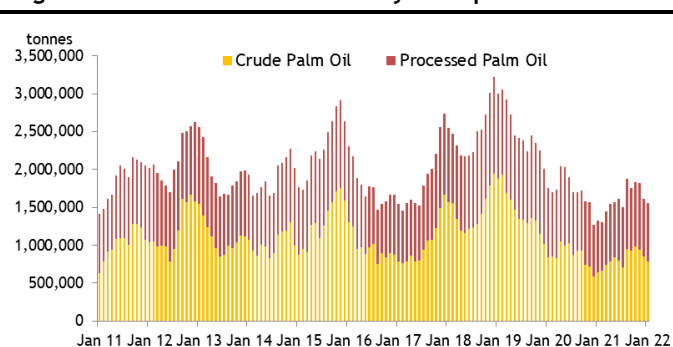
Source: MPOB

Fig 3: Monthly Stockpile (by type)



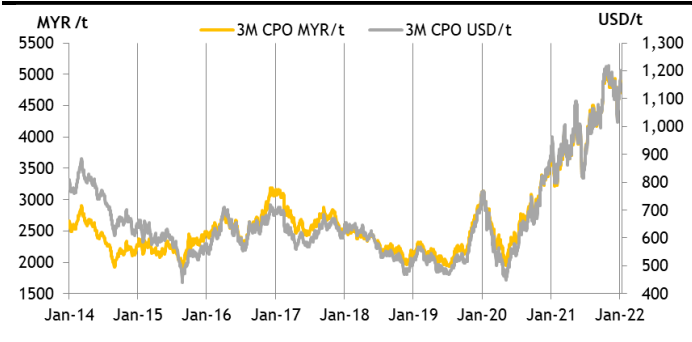
Source: MPOB

Fig 4: Cumulative Palm Oil Monthly Stockpile



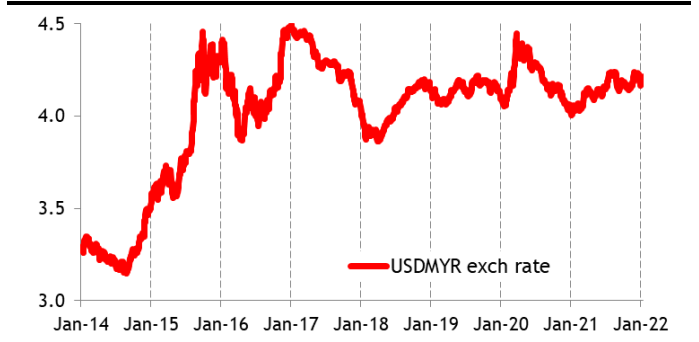
Source: MPOB

Fig 5: CPO price (in USD and MYR)



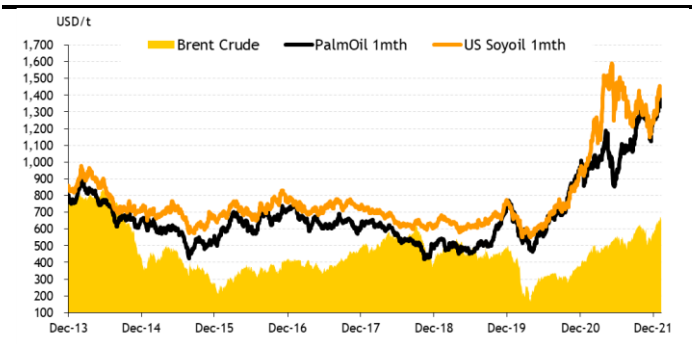
Source: Bloomberg

Fig 6: MYR per USD exchange rate



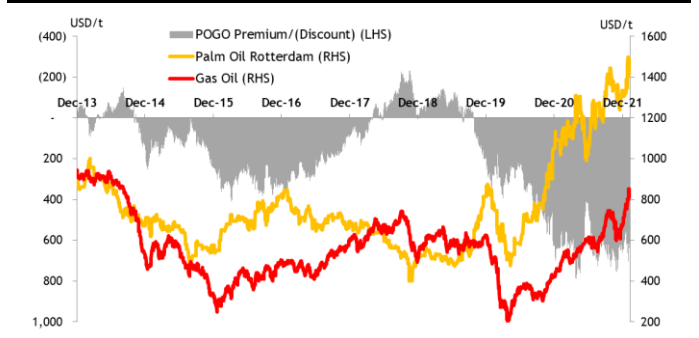
Source: Bloomberg

Fig 7: Soyoil and palm oil vs crude oil price



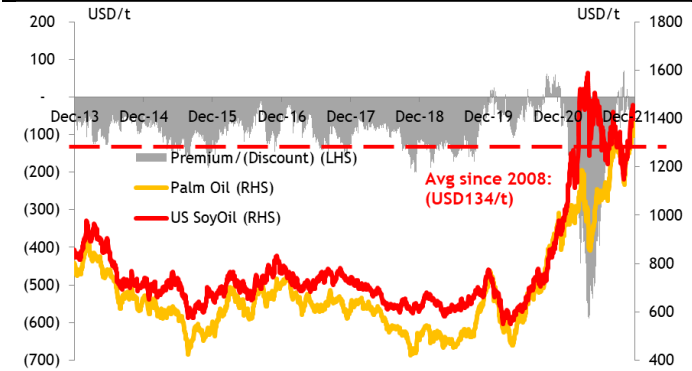
Source: Bloomberg

Fig 8: Palm Oil-Gas Oil (POGO) is unfavourable with palm oil trading at USD590/t (9 Feb 2022) premium to gas oil



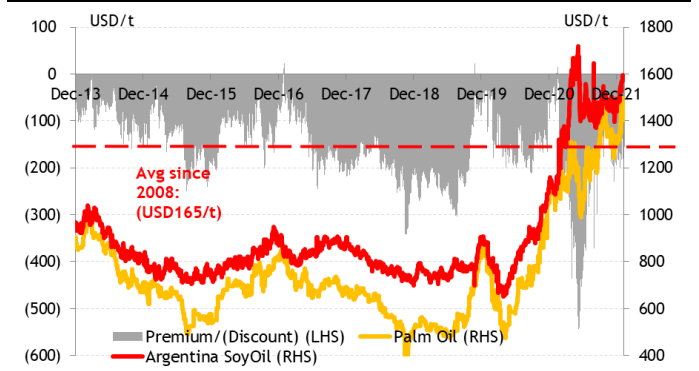
Source: Bloomberg

Fig.9: 1M palm oil price discount to US soybean oil at USD35/t (9 Feb 2022)



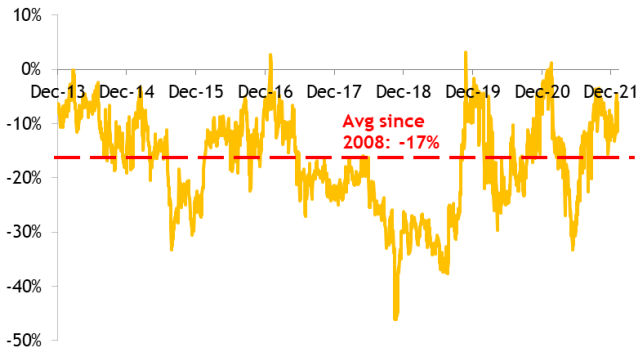
Source: Bloomberg

Fig.10: Rotterdam Palm Oil CIF price discount to Argentina Soybean Oil at USD156/t (9 Feb 2022)



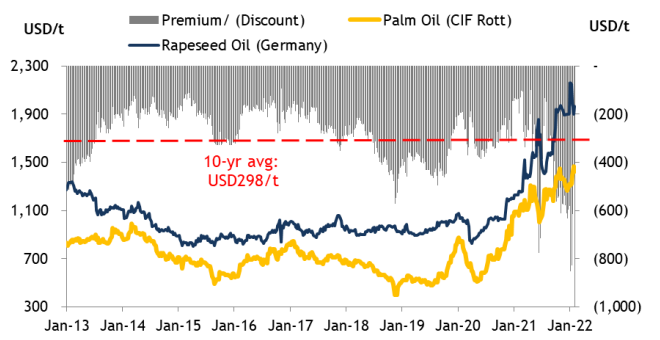
Source: Bloomberg

Fig. 11: Palm oil price discount (in %) to Argentina soybean oil at -10% (9 Feb 2022)



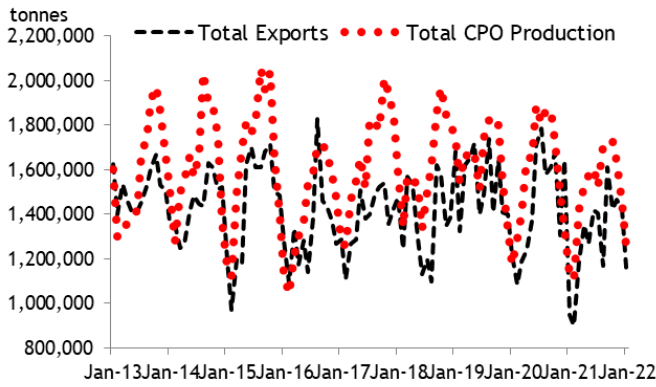
Source: Bloomberg

Fig. 12: Palm Oil price discount to Germany rapeseed oil at USD538/t (9 Feb 2022)



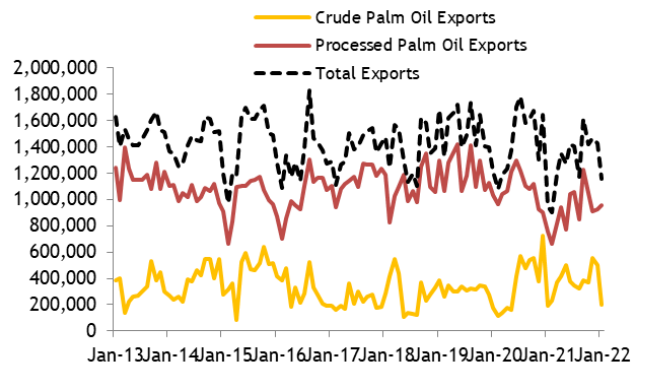
Source: Bloomberg (quoted weekly)

Fig. 13: Malaysia's Monthly Export vs Production (by tonnes)



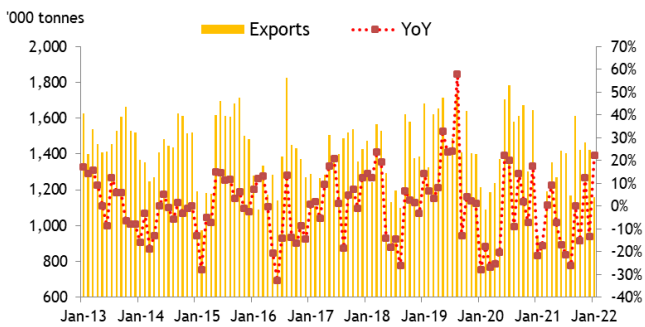
Source: MPOB

Fig. 14: Monthly Export of Palm Oil Products (by tonnes)



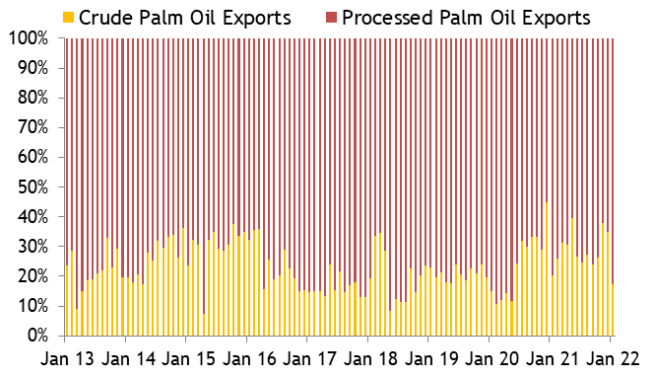
Source: MPOB

Fig. 15: Monthly Export Trend of Palm Oil (by tonnes)



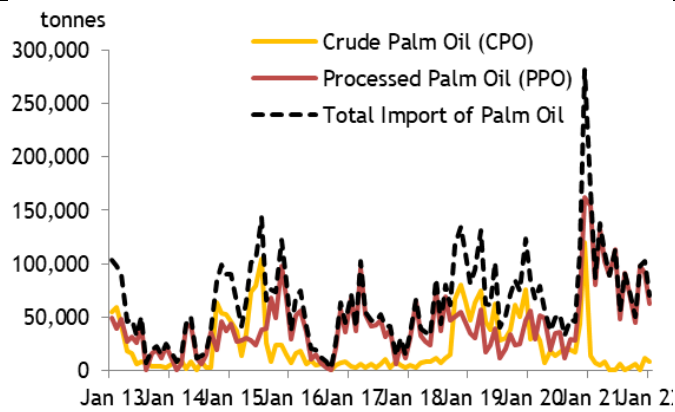
Source: MPOB

Fig. 16: Monthly Export of Palm Oil Products (by %)



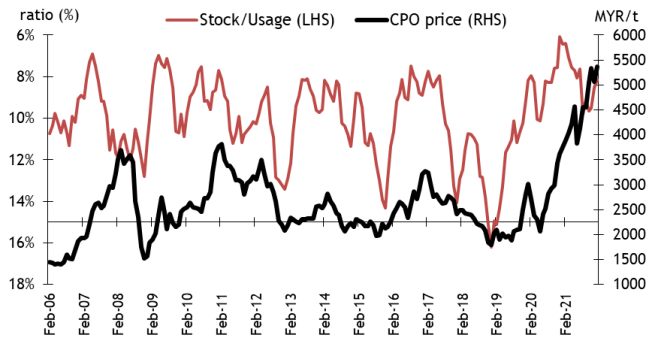
Source: MPOB

Fig 17: Import trend of Palm Oil Products (by tonnes)



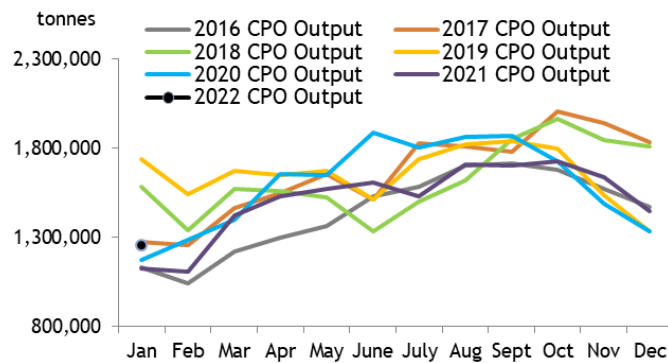
Source: MPOB

Fig 18: Monthly Stock-to-Usage Ratio vs. CPO prices



Source: MPOB, Maybank IBG

Fig 19: Malaysia's CPO production output



Source: MPOB

Risk statement

There are several risk factors that may affect our sector view, earnings estimates, price targets, and ratings of stocks under coverage. Key risks to the sector and companies are:

Upside risks: (i) Weaker-than-expected production recovery of palm oil and other vegetable oils in 2022; (ii) Brent crude oil price inches closer to USD100/barrel; (iii) Weather anomalies at major palm oil and oilseeds producing regions.

Downside risks: (i) Reversal of Brent crude oil price to sharply below USD80/barrel; (ii) Negative policies imposed by importing countries; (iii) Unfriendly government policies at producing or exporting countries; (iv) Production in 2022 turns out much stronger than expected; (v) Global demand turns out to be weaker than expected; and (v) Weaker competing oil prices (like soybean and rapeseed).

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