

SECTOR UPDATE

Plantation – Malaysia

Nov 24: Lower Production, Weak Exports And Market Share Shift Pressure End-stock

MPOB's Nov 24 end-stock came in lower mom as expected, given that production was lower. Exports to major importing countries, such as India and China, also declined mom as demand softened after the festive season. There was also market share loss to Indonesia as Indonesia's exports started to pick up. We like Hap Seng Plantations (HAPL/MK) for its upstream exposure, favourable production trend and high dividend yields. Maintain MARKET WEIGHT.

MPOB'S NOV 24 STATISTICS

(m tonne)	Nov-24	Mom % chg	Yoy % chg	11M24	Yoy % chg
CPO Production	1.62	(9.8)	(9.4)	17.85	5.0
Palm Oil Stocks	1.84	(2.6)	(23.6)	1.84	(23.6)
Palm Oil Domestic Use	0.21	4.7	(56.0)	2.99	(23.3)
Palm Oil Exports	1.49	(14.7)	5.7	2.99	(23.3)
<i>Oleochemical</i>	0.22	(14.9)	(13.4)	2.77	5.8
<i>Biodiesel</i>	0.01	(13.1)	(34.7)	0.24	6.0
Palm Oil Imports	0.02	35.1	(44.4)	0.22	(74.8)
CPO Price (RM/tonne)	5011.5	14.2	35.4	4130.0	7.4

Source: MPOB, UOB Kay Hian

WHAT'S NEW

• **MPOB's Nov 24 data: Production and export drop mom.** End-stock came in lower mom as expected, given that production was lower. Exports to major importing countries, such as India and China, also declined mom as demand softened after the festive season. There was also market share loss to Indonesia as Indonesia's exports started to pick up. Key highlights from MPOB's Nov 24 data are as follows:

a) Production decreased to 1.62m tonnes (-9.8% mom, -9.4% yoy), which is below market expectations. Ytd CPO production increased by 5% yoy, with Peninsular Malaysia recording positive growth of 12.4% yoy, compared to lower production in Sabah (-5.2% yoy) and flat growth for Sarawak.

b) Exports in Nov 24 were below market expectations, reaching 1.49m tonnes (-14.7% mom, +5.7% yoy). Based on the cargo survey, demand from the two largest importers, China and India, declined 1% and 42% respectively. We believe demand softened after the festive season and there was market share loss to Indonesia as Indonesia's exports started to pick up.

c) Inventory came in slightly above expectations at 1.84m tonnes (-2.6% mom, -23.6% yoy). We view that inventory was slightly higher than market expectations due to lower-than-expected exports mom.

ACTION

• **Maintain MARKET WEIGHT.** We maintain our MARKET WEIGHT call on the sector as we are cautious on the longevity of the crude palm oil (CPO) price rally, given its strong correlation with share prices. Our only BUY call is Hap Seng Plantations (HAPL MK/BUY). We continue to like the company for its upstream exposure, favourable production trend and high dividend yields.

PEER COMPARISON

Company	Ticker	Rec	Price @ 10 Dec 24	Target Price	Market Cap (US\$m)	PE			ROE	P/B	2024F Div	Div Yield (%)
			(RM)	(RM)		2023 (x)	2024F (x)	2025F (x)	(%)	(x)	(sen)	
Malaysia												
Hap Seng Plantations	HAPL MK	BUY	2.14	2.25	386.5	17.3	10.5	16.1	4.7	0.8	11.8	5.5
Genting Plantations	GENP MK	HOLD	5.87	5.15	1189.5	16.9	19.4	20.0	4.8	1.0	17.1	2.9
IOI Corporation	IOI MK	HOLD	3.9	3.6	5464.6	16.5	22.9	18.6	9.6	2.0	14.7	3.8
KL Kepong	KLK MK	HOLD	21.6	19.5	5348.9	25.1	25.4	18.8	4.2	1.7	76.3	3.5
Kim Loong	KIML MK	HOLD	2.54	1.95	560.1	14.9	16.9	13.4	17.4	2.7	15.5	6.1
SD Guthrie	SDG MK	HOLD	5.02	4.75	7841.2	42.2	23.6	23.0	9.6	1.8	12.6	2.5
Sarawak Oil Palms	SOP MK	HOLD	3.48	3	701.6	10.4	8.0	7.0	8.8	0.8	8.6	2.5

Source: Respective companies, Bloomberg, UOB Kay Hian

MARKET WEIGHT (Maintained)

STOCK PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	2.14	2.25

Source: UOB Kay Hian

CPO PRICE ASSUMPTIONS (RM/TONNE)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
2023	3,810
Our forecast:	
2024F	4,200
2025F	4,500
CPO Price:	
MPOB @ 9 Nov 24	5,329.5
BMD 3 rd Month Contract	4,955

Source: MPOB, Bloomberg, UOB Kay Hian

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ESSENTIALS

Dec 24 Outlook:

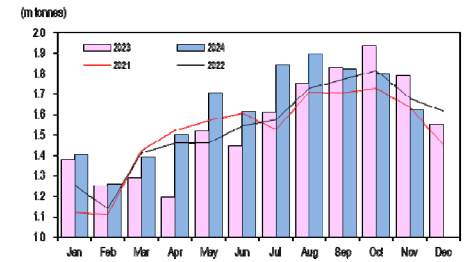
- **Production continues to decline.** We expect December production to come in lower mom, following the seasonal trend of tapering off in December, in addition to flash floods observed in certain parts of Malaysia and Indonesia.
- **Inventory to improve marginally.** We anticipate inventory building up but at marginal rates mom. This will be driven by the lower exports and slower production in Dec 24.
- **Exports are expected to remain weak.** Demand for palm oil from major importing countries is likely to stay subdued due to its price premium over other vegetable oils. This is also as Indonesia's exports are starting to pick up.

NOV 24 CPO PRODUCTION BY REGION AND STATES

(m tonnes)	Nov 24	mom % chg	yoy % chg	11M24	yoy % chg
<i>Johor</i>	0.26	(7.4)	(11.7)	2.88	10.6
<i>Pahang</i>	0.27	(12.2)	(6.2)	3.09	19.6
<i>Perak</i>	0.15	(3.5)	(5.0)	1.75	2.7
<i>Negeri Sembilan</i>	0.06	(7.5)	(3.9)	0.67	18.8
<i>Selangor</i>	0.04	(3.5)	4.9	0.50	9.8
<i>Terengganu</i>	0.04	(20.3)	(12.3)	0.44	15.9
<i>Kelantan</i>	0.03	(19.1)	(17.1)	0.33	7.7
<i>Kedah</i>	0.02	1.0	(10.5)	0.24	24.5
<i>Other States</i>	0.02	(12.4)	(26.4)	0.20	2.7
<i>Pen Malaysia</i>	0.88	(9.1)	(8.2)	10.11	12.4
<i>Sabah</i>	0.39	(9.7)	(8.5)	3.92	(5.2)
<i>Sarawak</i>	0.35	(10.4)	(11.9)	3.80	(1.9)
<i>East Malaysia</i>	0.75	(10.0)	(10.1)	7.72	(3.6)

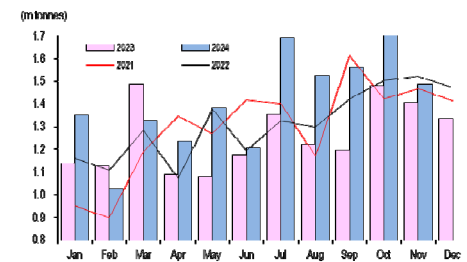
Source: MPOB

MALAYSIA PALM OIL PRODUCTION



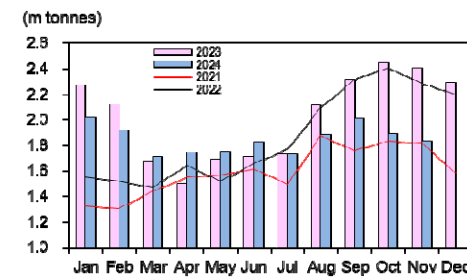
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MALAYSIA PALM OIL EXPORTS



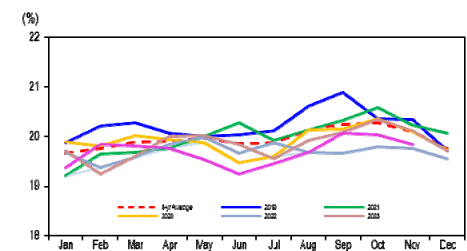
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MALAYSIA PALM OIL INVENTORY



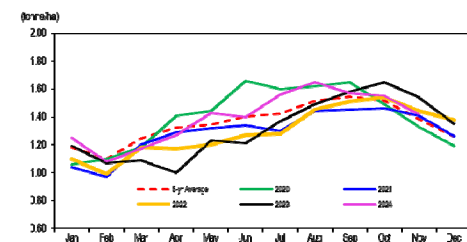
Source: MPOB

MALAYSIA OIL EXTRACTION RATE



Source: MPOB

MALAYSIA FFB YIELD AVERAGE



Source: MPOB

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