Plantations

Regional

Regional Plantations

POSITIVE [Unchanged]

April stockpile seasonally higher but still tight

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Stockpile slightly above Bloomberg's estimates

MPOB's April 2021 stockpile of 1.55mt came in slightly above Bloomberg's survey estimates of 1.5mt. Overall, stockpile remains relatively low. Barring any unforeseen weather disruptions in the Northern Hemisphere, we maintain our view that CPO spot price risk is on the downside in 2Q-3Q21 as output picks up seasonally. US summer plantings of corn and soybean are also progressing well, ahead of its 5-year average. Maintain our POSITIVE view as 2021, in general, will be a relatively good year for the sector. Preferred BUYs are KLK, SOP and BPLANT.

April's export caught up with output growth

April's MPOB stockpile continues its seasonal MoM ascend to reach 1.55mt (+7% MoM), but still comparatively low vis-à-vis a year ago (-24% YoY) – Fig.1. Higher MoM stockpile was due to a further pick-up in CPO output to 1.52mt (+7% MoM, -8% YoY), mitigated by higher exports (1.34mt; +13% MoM, +8% YoY) and lower domestic consumption (0.19mt; -18% MoM, +22% YoY). Meanwhile, April's imports were lower MoM by 20% to 0.11mt but up by 94% YoY. Despite higher CPO price and concerns over India's rising COVID cases, exports to India were significantly higher at 354,555t (+53% MoM, +1946% YoY). This is perhaps because palm oil is price competitive vis-à-vis other major vegetable oils as it is still trading at wide discounts to other oils (see Figs.7-12), or Indian buyers ramped up purchase over concern of potential lockdown given rising COVID cases there. Besides India, higher MoM exports were also recorded to other major importing countries except Bangladesh, EU and Vietnam (Fig.2).

May prelim. export estimates remains healthy

Despite the high CPO prices in recent weeks, the preliminary Malaysian export estimates for shipments in the first 10 days of May by Amspec and Intertek (independent cargo surveyors) continue to exhibit positive trend at 469,875t /447,225t (+37%/+30% MoM) respectively. Besides seasonality factor, the growth trend is in tandem with expectation of higher CPO output growth trend in May till around September / October.

High CPO prices are not sustainable going into 2H21

Brazil's harvest of oilseeds is nearly over while Argentina was 53% completed. But Biden's green policy and some weather concerns in the US have lifted the prices of 1M soybean (+17% MoM) and 1M soybean oils (+29% MoM) the past one month, which in turn lifted 1M CPO (+13% MoM) price too. As CPO price increase merely trailed the price of other major vegetable oils (especially SBO), it has thus remained price competitive. In the Northern Hemisphere, US summer plantings of corn and soybean are progressing well. According to USDA (on week ending 2 May), corn was 46% planted (past 5-year average: 36%) and soybean was 24% planted (5-year average: 11%). We believe US in en route to a record planting in 2021. We maintain our view that the current high prices are not sustainable going into 2H21 when CPO output picks up seasonally (Figs.7-12) unless labour shortages in Malaysia become even more acute during the peak harvest months. In the meantime, upstream MY planters will be the prime beneficiaries of present high CPO prices – see Asymmetry benefits of present high CPO price.

Regional CPO price forecast

	2021F	2022F
	MYR/t	MYR/t
Full year avg (FOB)	2,700	2,600
MDEX / MPOB prices:		
3M CPO price (10 May)	4,368	
YTD (10 May) 3M CPO ASP	3,724	
YTD (10 May) spot CPO ASP	4,046	

Plantation stocks mentioned on cover page

Company	BBG ticker	Rec	Shr px	Tgt px
M'sia listed			LCY	LCY
KL Kepong	KLK	Buy	22.50	29.80
Swk Oil Palm	SOP	Buy	4.21	5.59
Bous.Plant	BPlant	Buy	0.665	0.70

Source: Maybank KE

Terms used in this note:

1M - First month
ASP – Average Selling Price
CPO - Crude Palm Oil
Feb - February
LCY - Local currency
mt - million tonnes
mth - month
MoM – Month-on-Month
MPOB – Malaysian Palm Oil Board
PO - Palm Oil
POGO - Palm Oil Gas Oil (ie diesel)
Prelim. - preliminary
SBO - Soybean oil
SUR - Stock-to-usage ratio
t - tonnes
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	7,995	Hold	4.77	4.86	3	32.0	35.1	2.3	2.2	1.6	1.4
IOI Corp	IOI MK	6,274	Buy	4.10	4.87	21	26.1	26.2	2.6	2.5	2.8	2.3
KL Kepong	KLK MK	5,922	Buy	22.50	29.80	35	23.4	23.4	2.1	2.1	2.6	2.6
Genting Plant	GENP MK	1,877	Hold	8.59	9.96	18	30.2	28.4	1.5	1.5	2.0	2.1
First Resources	FR SP	1,746	Buy	1.46	1.88	31	13.3	12.0	1.5	1.5	3.8	4.2
Bumitama Agri	BAL SP	630	Buy	0.48	0.65	38	8.9	6.4	0.9	0.8	4.5	6.2
Swk Oil Palms	SOP MK	586	Buy	4.21	5.59	34	10.5	10.3	0.9	0.9	2.8	2.9
TSH Resources	TSH MK	417	Buy	1.24	1.30	6	20.5	19.2	1.1	1.1	1.5	1.6
Boustead Plant	BPLANT MK	363	Buy	0.67	0.70	7	27.8	30.2	0.6	0.6	2.2	2.0
Ta Ann	TAH MK	331	Buy	3.06	3.54	20	13.0	13.5	0.9	0.9	3.9	3.7
TH Plantations	THP MK	124	Hold	0.58	0.55	(4)	14.1	17.2	0.8	0.8	0.0	0.0

Fig 1: Malaysia's Monthly Palm Oil Statistics for Feb - Apr 2021

	Feb 21 (t)	Mar 21 (t)	Apr 21 (t)	MoM chg (%)	YoY chg (%)	4M21 (t)	YoY chg (%)
Production	1,108,236	1,423,483	1,522,865	*7*	*(8)*	5,181,041	*(6)*
Imports	87,326	137,332	109,847	*(20)*	*94*	499,763	*74*
Consumption	317,532	234,224	191,975	*(18)*	*22*	1,025,274	*(1)*
Exports	896,647	1,188,697	1,338,672	*13*	*8*	4,375,247	*(7)*
Closing stock	1,306,022	1,443,916	1,545,981	*7*	*(24)*	1,545,981	*(24)*

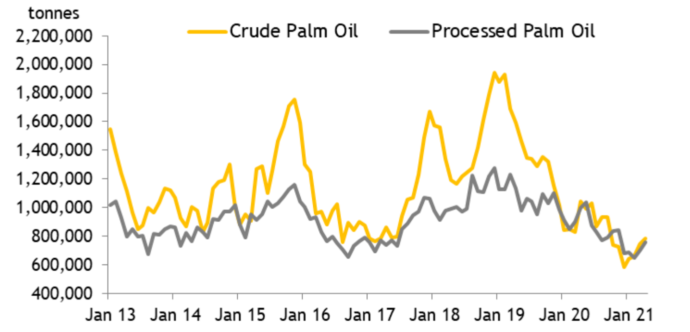
Source: MPOB

Fig 2: Malaysia's Monthly Export Destinations for Feb - Apr 2021

	Feb 21 (t)	Mar 21 (t)	Apr 21 (t)	MoM chg (%)	YoY chg (%)	4M21 (t)	YoY chg (%)
Bangladesh	18,923	25,641	5,942	*(77)*	*(87)*	51,352	*(45)*
China	83,762	72,721	111,130	*53*	*(44)*	381,257	*(44)*
EU	108,076	161,871	93,804	*(42)*	*(55)*	461,060	*(37)*
India	165,668	232,217	354,555	*53*	*1946*	895,671	*851*
Pakistan	23,686	61,366	62,516	*2*	*1*	189,227	*(45)*
Philippines	43,828	48,369	59,489	*23*	*22*	196,650	*(16)*
Turkey	22,866	82,476	88,642	*7*	*57*	241,972	*15*
USA	20,928	10,495	21,878	*108*	*(47)*	97,952	*(52)*
Vietnam	6,219	23,474	8,882	*(62)*	*(76)*	69,622	*(46)*
Others	406,383	470,067	531,834	*13*	*3*	1,790,484	*(10)*
Total	**900,339**	**1,188,697**	**1,338,672**	*13*	*8*	**4,375,247**	*(7)*

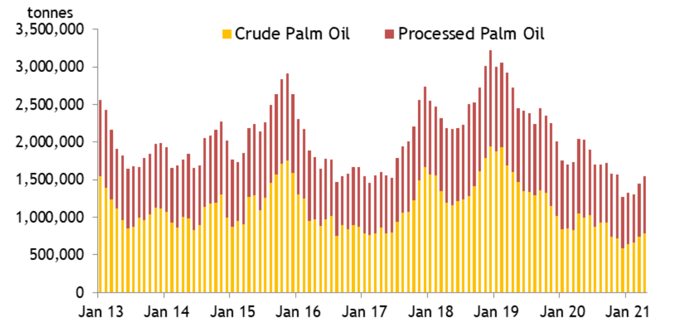
Source: MPOB

Fig 3: Monthly Stockpile (by type)



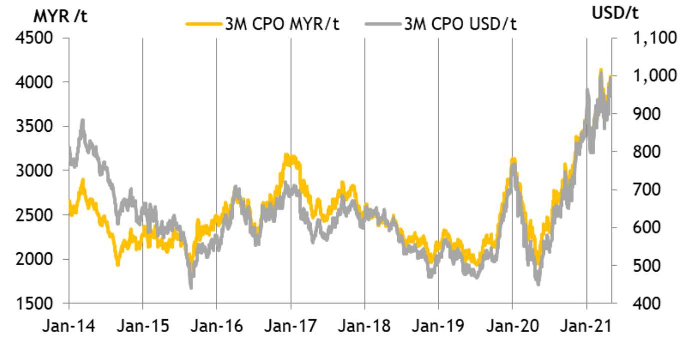
Source: MPOB

Fig 4: Cumulative Palm Oil Monthly Stockpile



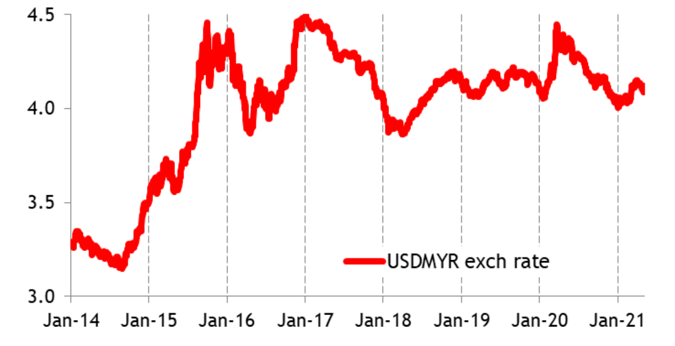
Source: MPOB

Fig 5: CPO price (in USD and MYR)



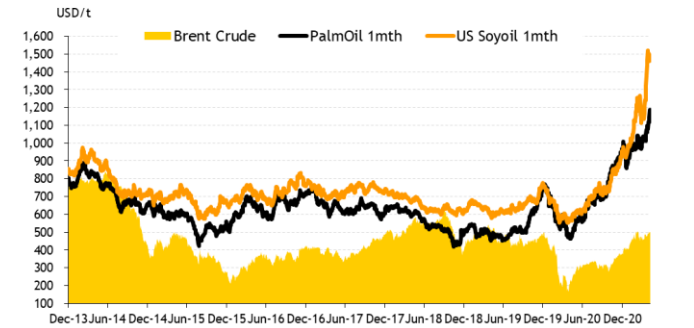
Source: Bloomberg

Fig 6: MYR per USD exchange rate



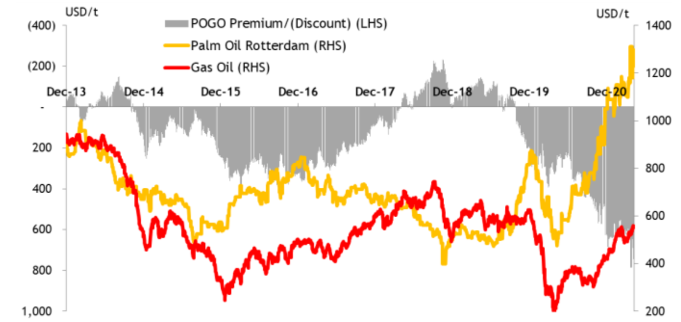
Source: Bloomberg

Fig 7: Soyoil and palm oil vs crude oil price



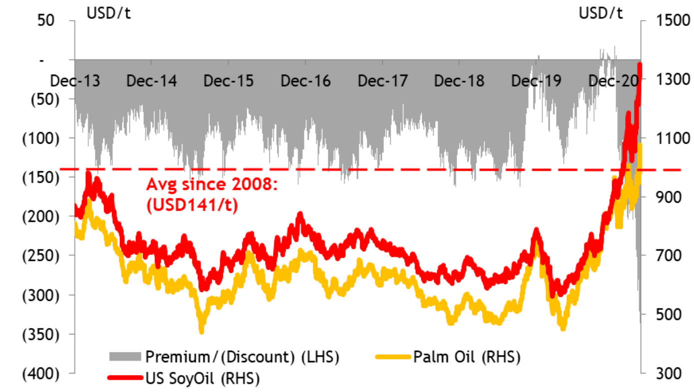
Source: Bloomberg

Fig 8: Palm Oil-Gas Oil (POGO) is unfavourable with palm oil trading at USD578/t (9 May 2021) premium to gas oil



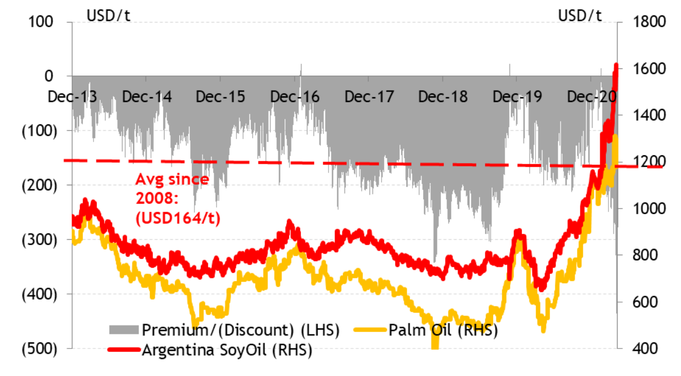
Source: Bloomberg, Maybank-KE

Fig.9: 3M palm oil price at a marginal premium to US soybean oil at USD273/t (9 May 2021)



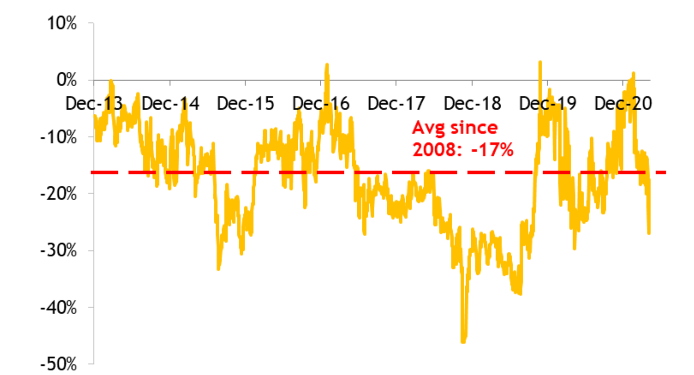
Source: Bloomberg, Maybank-KE

Fig.10: Rotterdam Palm Oil CIF price discount to Argentina Soybean Oil at USD277/t (9 May 2021)



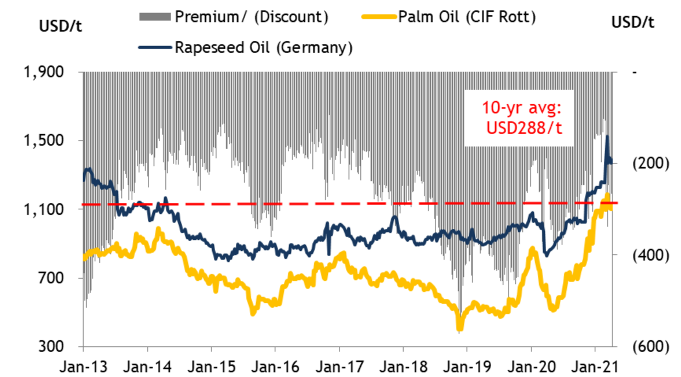
Source: Bloomberg, Maybank-KE

Fig.11: Palm oil price discount (in %) to Argentina soybean oil at -18% (9 May 2021)



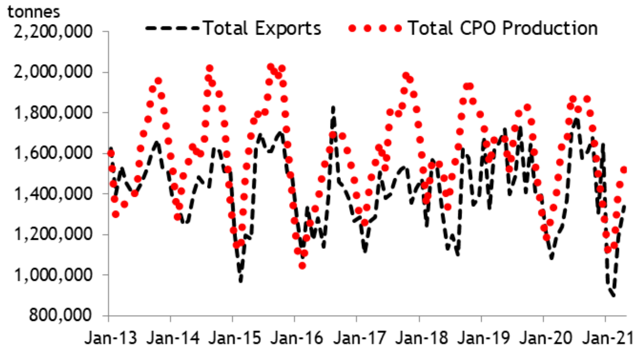
Source: Bloomberg, Maybank-KE

Fig.12: Palm Oil price discount to Germany rapeseed oil at USD285/t (7 May 2021)



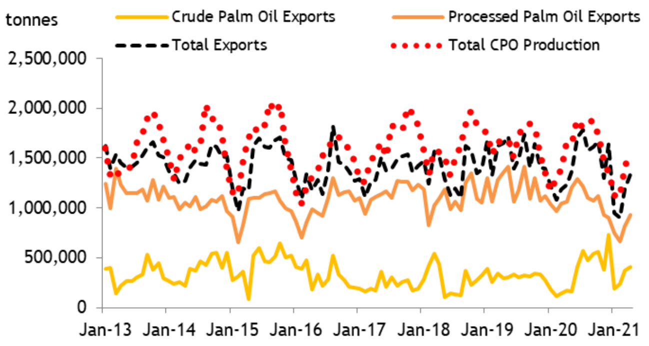
Source: Bloomberg (quoted weekly), Maybank-KE

Fig13: Malaysia's Monthly Exports vs Production (by tonnes)



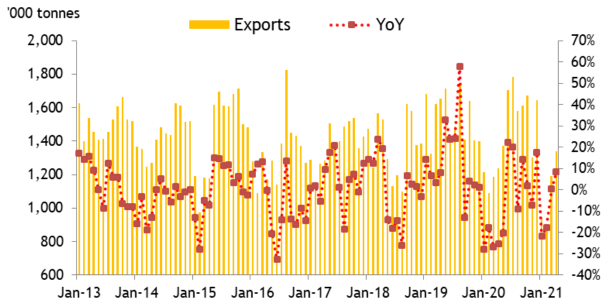
Source: MPOB

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



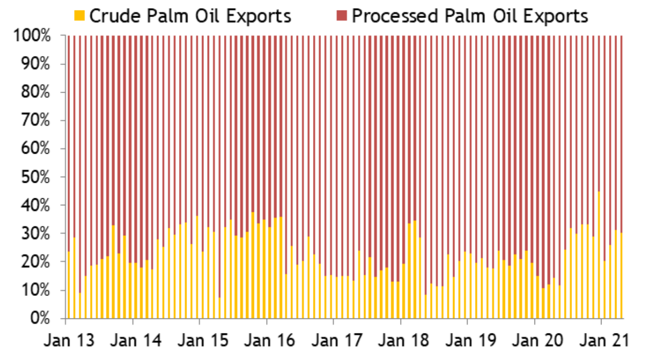
Source: MPOB

Fig 15: Monthly Exports Trends of Palm Oil (by tonnes)



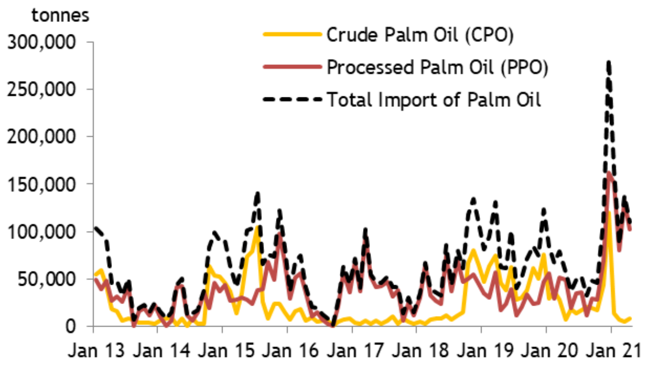
Source: MPOB

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



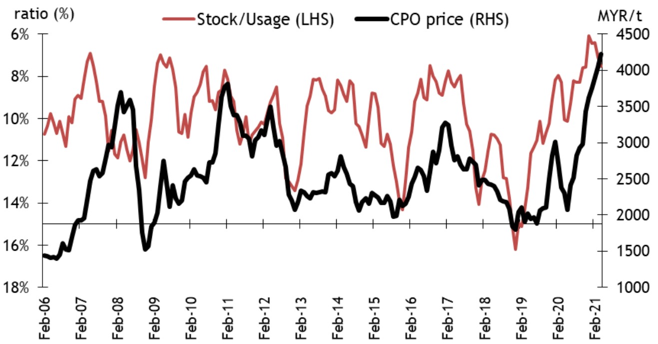
Source: MPOB

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



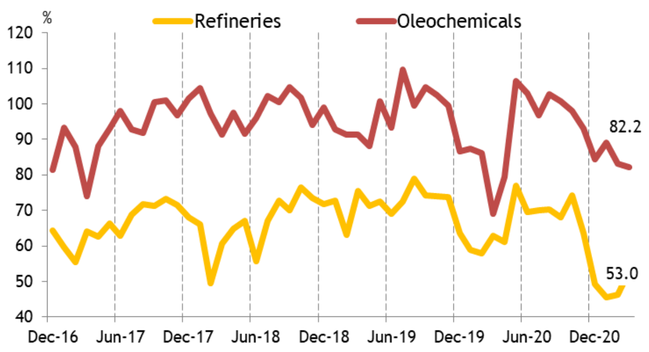
Source: MPOB

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



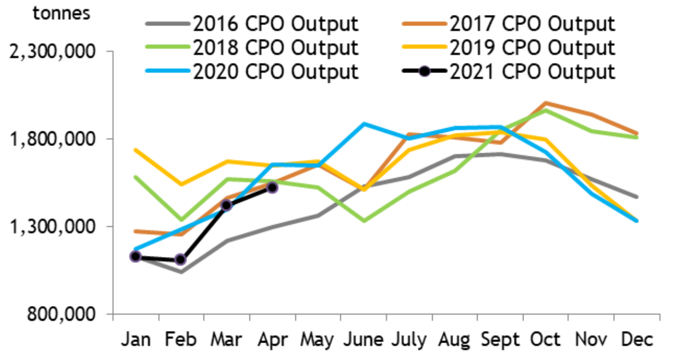
Source: MPOB, Maybank-KE

Fig 19: M'sia's Refinery & Oleochemicals Utilisation Rates



Source: MPOB (MPOB stopped update since Mar 2021)

Fig 20: 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) Worse-than-expected production recovery of palm oil and other vegetable oils in 2021; (ii) Brent crude oil price recovers closer to USD80/barrel; (iii) Weather anomalies at major palm oil and oilseeds producing regions.

Downside risks: (i) Reversal of Brent crude oil price to sharply below USD40/barrel; (ii) Negative policies imposed by importing countries; (iii) Unfriendly government policies at producing or exporting countries; (iv) Production in 2021 turns out much better 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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