



AmInvestment Bank

11 Jul 2025

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# PLANTATION

*Strong demand from Africa and Middle East***NEUTRAL**

(Maintained)

*Rationale for report: Sector Update*

## Key Indicators

2025F CPO Price:  
RM4,250/tonne

## Stock Universe

### Johor Plantations

TP: RM1.67

Rec: BUY

Upside/Downside: +33.4%

### IOI Corp

TP: RM4.05

Rec: HOLD

Upside/Downside: +5.2%

### TSH Resources

TP: RM1.38

Rec: BUY

Upside/Downside: +20.0%

### Kim Loong

TP: RM2.75

Rec: BUY

Upside/Downside: +21.7%

### KL Kepong

TP: RM20.50

Rec: HOLD

Upside/Downside: -1.6%

### SD Guthrie

TP: RM4.89

Rec: HOLD

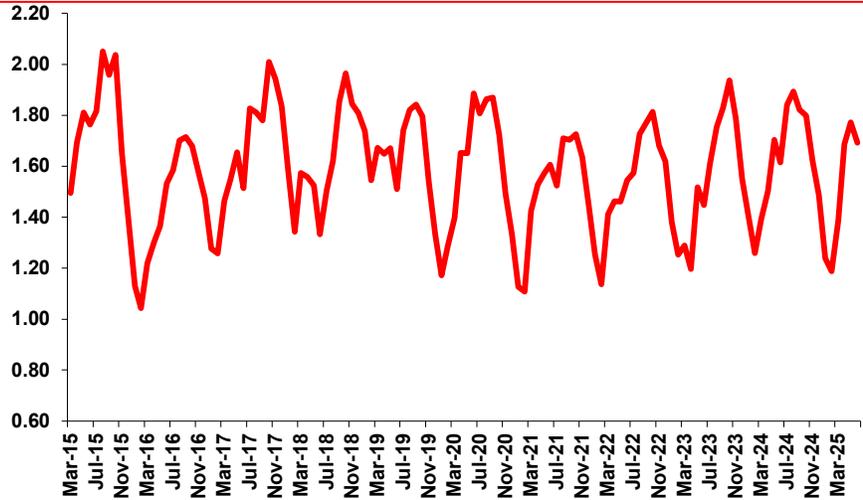
Upside/Downside: +2.7%

## Investment Highlights

The Malaysian Palm Oil Board (MPOB) has released the palm statistics for June 2025. The country's palm inventory was flat at 2mil tonnes in June, which was within *Bloomberg* consensus. Although Malaysia's palm exports slumped by 10.5% MoM to 1.3mil tonnes in June, inventory did not rise as domestic consumption surged by 43.9%. Going forward, we believe that FFB production would peak in August or September. Thereafter, we expect FFB production to ease in line with the seasonal drop. We maintain Neutral on the plantation sector with BUYS on Johor Plantations Group (TP: RM1.67/share), Kim Loong Resources (TP: RM2.75/share) and TSH Resources (TP: RM1.38/share). Our average 2025F CPO price assumption is RM4,250/tonne (1H2025: RM4,390/tonne).

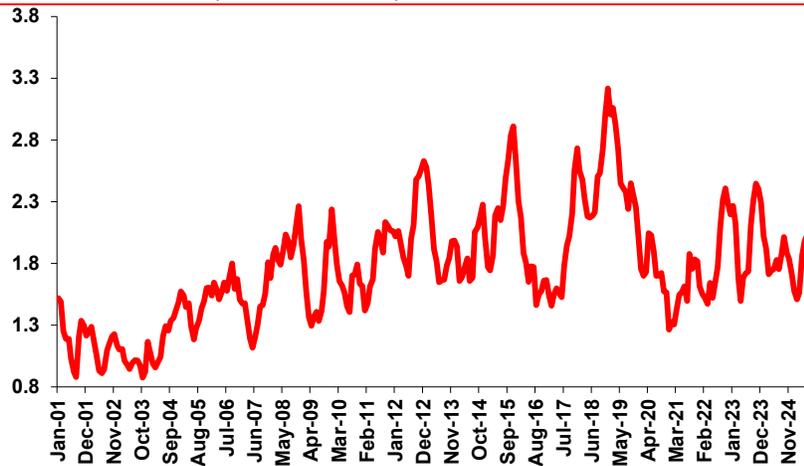
- **CPO production slid by 4.5% MoM to 1.7mil tonnes in June 2025.** CPO output in Sabah shrank by 9.8% MoM to 363,422 tonnes in June while in Peninsular Malaysia, CPO production edged down by 1.3%. CPO output in Sarawak retreated by 7.4% MoM to 343,840 tonnes in June. Comparing 1H2025 against 1H2024, Malaysia's CPO production inched up by 1% to 9mil tonnes. Industry experts expect Malaysia's CPO output to be flat at 19.3mil tonnes in 2025.
- **Lower demand from India and the EU in June.** According to Intertek, Malaysia's palm shipments to India tumbled by 14.7% MoM in June while exports to the EU slipped by 3.1%. On a positive note, palm exports to Africa and the Middle East surged. Palm shipments to Africa jumped by 43.7% in June while the Middle East bought 22.6% more palm products. China's palm imports inched up by 1.3%. Going forward, we expect India's palm purchases to recover as the country replenishes its inventories. India's inventory of edible oils at the ports and pipelines stood at only 1.3mil tonnes on 1 June vs. 2.4mil tonnes a year ago. We also envisage positive demand from the EU ahead of the implementation of the EUDR on 30 December.
- **CPO's price discount to US soybean oil narrowed in June.** We estimate the price discount to be smaller at 13.9% in June vs. 16.1% in May as CPO prices increased. US soybean oil has been going up recently as the country has raised the biodiesel blending mandate. The EPA (Environmental Protection Agency) has proposed a biodiesel blending mandate of 5.6bil gallons in 2026F, 67% higher than 3.35bil gallons in 2025.
- **Palm imports rose by 6.4% MoM to 81,941 tonnes in June.** Going forward, we expect imports of Indonesian palm products by Malaysian downstream companies to remain small as the price difference between CPO in Malaysia and Indonesia remained almost the same at US\$140/tonne in July (vs. US\$138/tonne in June).

**EXHIBIT 1: CPO PRODUCTION**



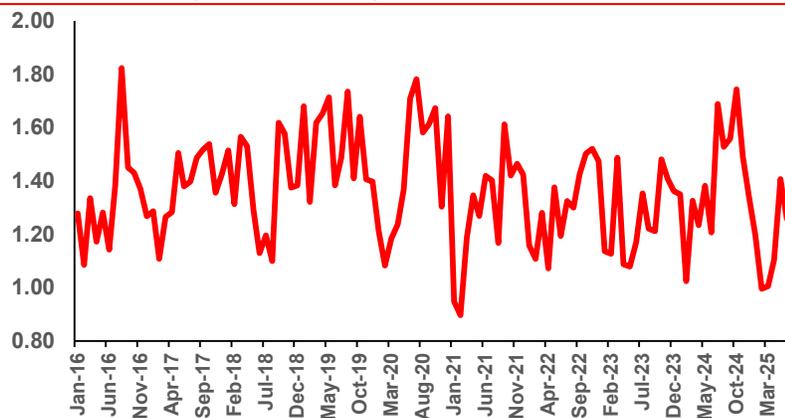
Source: MPOB

**EXHIBIT 2: PALM INVENTORY (MILLION TONNES)**



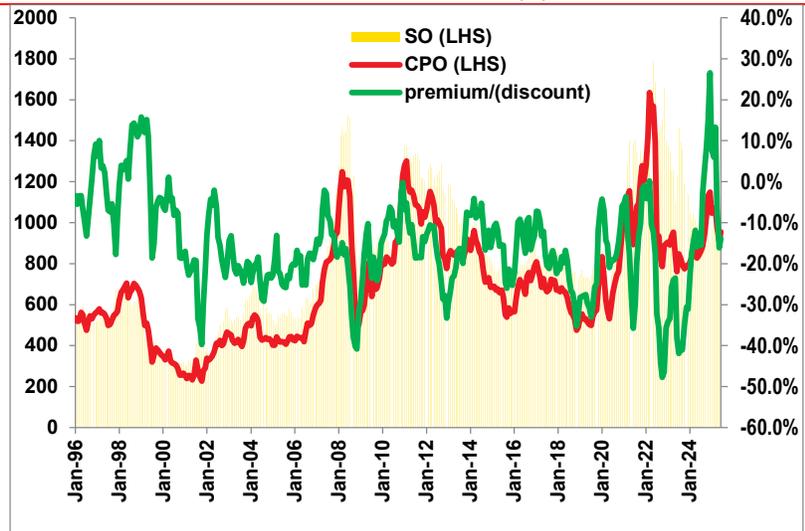
Source: MPOB

**EXHIBIT 3: PALM EXPORTS (MILLION TONNES)**



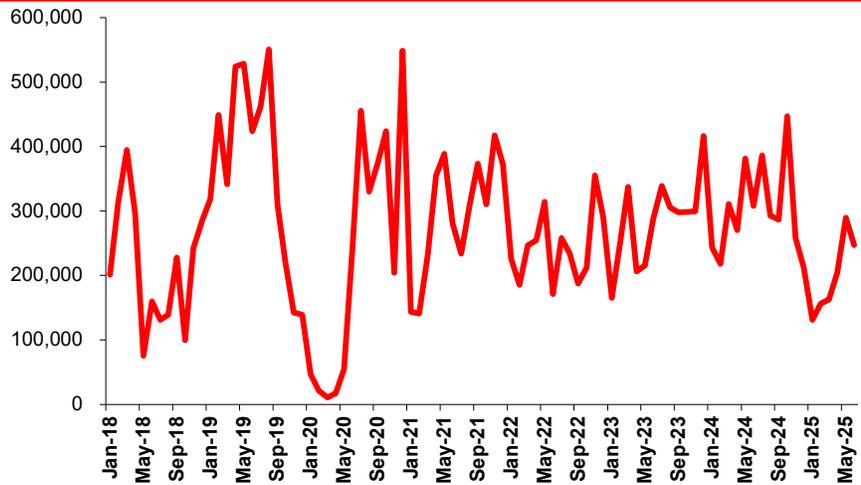
Source: MPOB

**EXHIBIT 4: CPO'S DISCOUNT/PREMIUM OVER SOYBEAN OIL (%)**



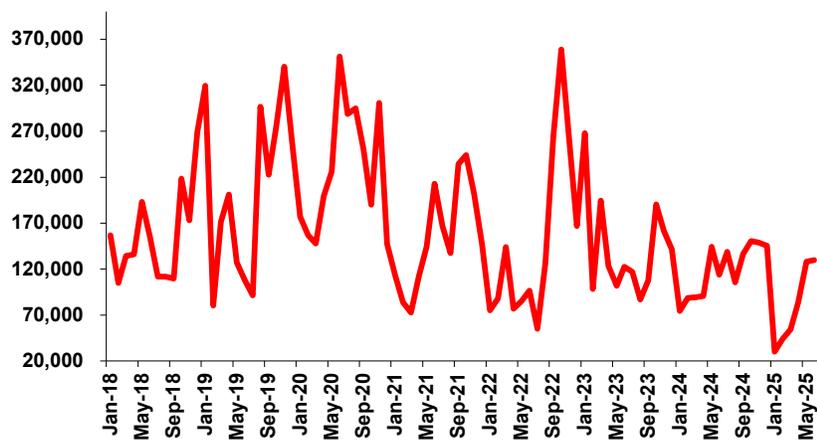
Source: MPOB, Bloomberg

**EXHIBIT 5: MALAYSIA'S PALM EXPORTS TO INDIA (TONNES)**

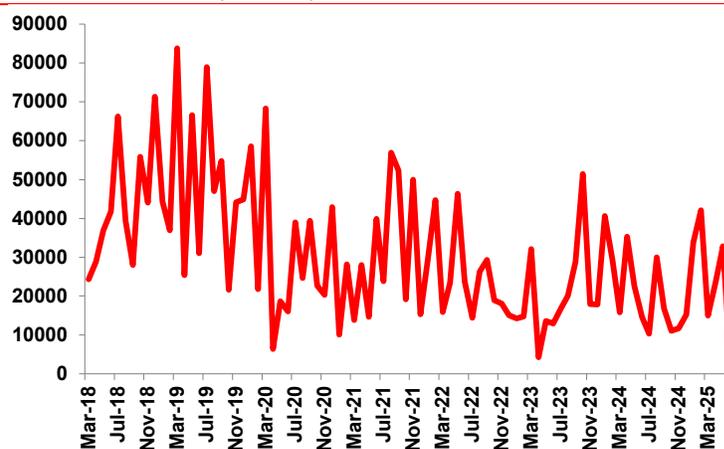


Source: MPOB, Intertek

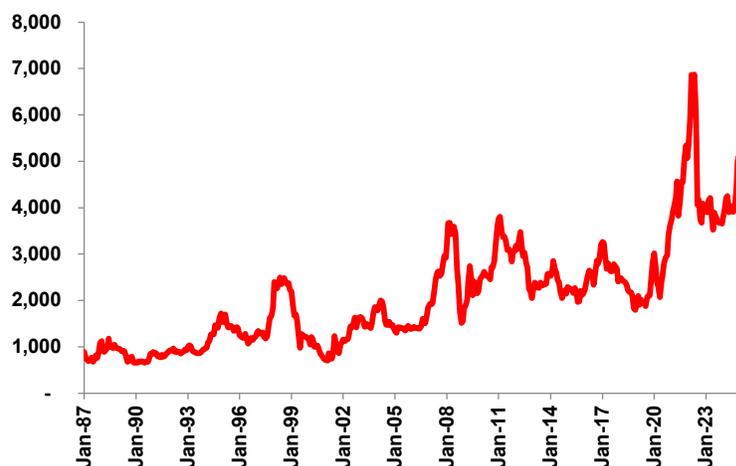
**EXHIBIT 6: MALAYSIA'S PALM EXPORTS TO CHINA (TONNES)**



Source: MPOB, Intertek

**EXHIBIT 7: BIODIESEL EXPORTS (TONNES)**

Source: MPOB

**EXHIBIT 8: HISTORICAL CPO PRICE CYCLE (RM/TONNE)**

Source: MPOB

**EXHIBIT 9: VALUATION MATRIX**

	Share price (RM)	EPS (sen) FY25F	EPS (sen) FY26F	PE (x) FY25F	PE (x) FY26F	Target price (RM)	Upside	Rec
IOI Corp	3.85	20.3	21.4	19.0	18.0	4.05	5.2%	Hold
KLK	20.84	77.9	112.9	26.8	18.5	20.50	-1.6%	Hold
SD Guthrie	4.76	26.4	27.2	18.0	17.5	4.89	2.7%	Hold
Johor Plantations	1.25	10.9	11.1	11.5	11.3	1.67	33.4%	Buy
TSH Resources	1.15	10.8	11.5	10.6	10.0	1.38	20.0%	Buy
Kim Loong	2.26	17.2	17.5	13.1	12.9	2.75	21.7%	Buy

Source: AmlInvestment Bank

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