



AmInvestment Bank

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PLANTATION

*Soft palm demand in August***NEUTRAL**

(Maintained)

Rationale for report: Sector Update

Investment Highlights

Key Indicators

2025F CPO Price:
RM4,250/tonne

Stock Universe

Johor Plantations

TP: RM1.72

Rec: BUY

Upside/Downside: +26.5%

IOI Corp

TP: RM4.05

Rec: HOLD

Upside/Downside: +3.1%

Genting Plantations

TP: RM5.84

Rec: BUY

Upside/Downside: +20.4%

TSH Resources

TP: RM1.29

Rec: HOLD

Upside/Downside: +11.2%

Kim Loong

TP: RM2.75

Rec: BUY

Upside/Downside: +21.1%

KL Kepong

TP: RM20.70

Rec: HOLD

Upside/Downside: +2.5%

SD Guthrie

TP: RM4.89

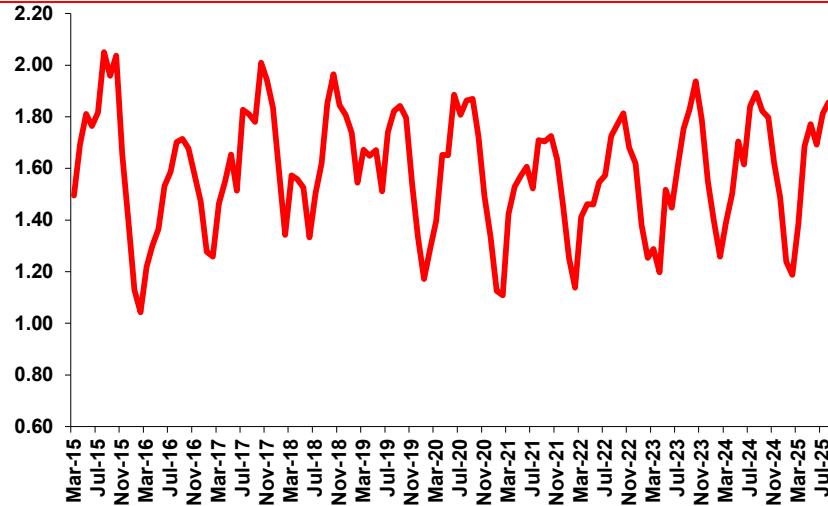
Rec: HOLD

Upside/Downside: -5.0%

The Malaysian Palm Oil Board (MPOB) has released the palm statistics for August 2025. Palm inventory rose by 4.2% MoM to 2.2mil tonnes in August underpinned mainly by a 2.4% increase in production. Palm exports were flat in August after a 5.4% increase in July. The palm inventory of 2.2mil tonnes was within *Bloomberg* consensus. We believe that palm inventory has peaked and going forward, we expect CPO output to soften due to the wet weather. We maintain our 2025F average CPO price assumption of RM4,250/tonne (8M2025: RM4,348/tonne) for the pure Malaysian planters. We have BUYs on Johor Plantations Group (TP: RM1.72/share), Kim Loong Resources (TP: RM2.75/share) and Genting Plantations (TP: RM5.84/share).

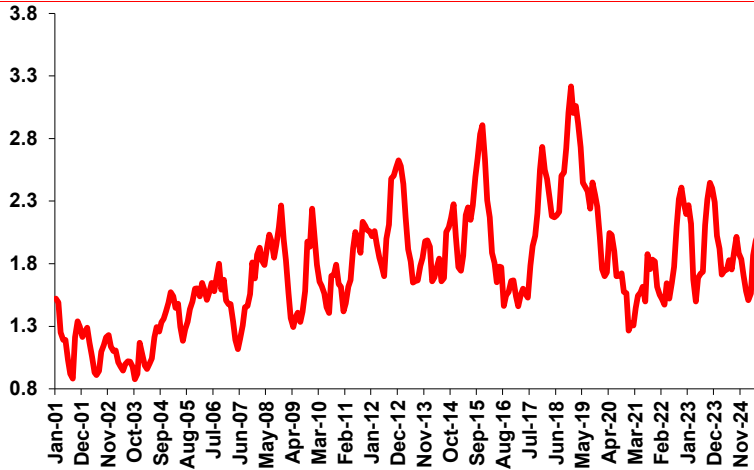
- **CPO output in Malaysia was flat at 12.6mil tonnes in 8M2025.** CPO production is expected to be unexciting in 2025F after the previous year's expansion of 4.2%. Recall that output growth in 2024 was largely driven by productivity improvements in estate workers, who arrived in late-2022. MPOB has forecast a CPO production of 19.5mil tonnes for the country in 2025F vs. 19.3mil tonnes in 2024.
- **On a monthly basis, CPO exports were unchanged at 1.3mil tonnes in August.** Although palm exports to the EU rebounded, this was offset by lower demand from India. Also, China's palm demand is lacklustre. According to Intertek, China's imports of Malaysia's palm products dived by 21.3% YoY in 8M2025. According to the General Administration of Customs, China's palm imports fell by 19.4% YoY to 1.3mil tonnes in 7M2025 in contrast to a 4.6% improvement in soybean imports. On a brighter note, we believe that EU's palm demand would remain healthy before EUDR is implemented on 30 December 2025.
- **CPO's price discount to US soybean oil declined in August as CPO prices rose.** Average price discount was 12.5% in August vs. 20.2% in July. We attribute the increase in CPO prices in August to robust demand from the EU and expectations of declining production in Malaysia and Indonesia. CPO prices exceeded RM4,400/tonne in August while US soybean oil prices continued to trade sideways between US\$0.50 and US\$0.55/pound. Against Argentinean soybean oil however, CPO price is almost on par as reflected in the small discount of only 7.2%. Due to this, we think that India may be switching to Argentina's soybean oil in the coming months.
- **Palm imports to increase going forward as price differential with Indonesia expands.** Indonesia's CPO export tax and levy are expected to be US\$219/tonne in September. This means that Indonesia's CPO price would be at least US\$219/tonne or RM924/tonne cheaper than Malaysia in September. The lower CPO price may encourage downstream companies in Malaysia to import feedstock from Indonesia. In spite of this, we think that palm inventory would still decline in the coming months as the fall in production outpaces the increase in imports.

EXHIBIT 1: CPO PRODUCTION



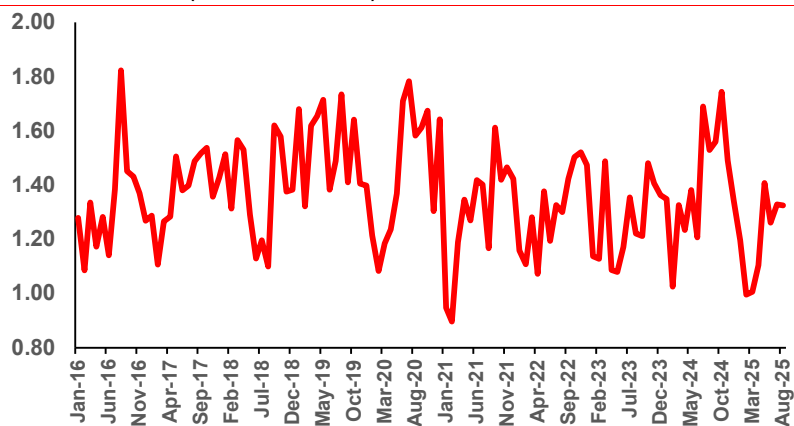
Source: MPOB

EXHIBIT 2: PALM INVENTORY (MILLION TONNES)



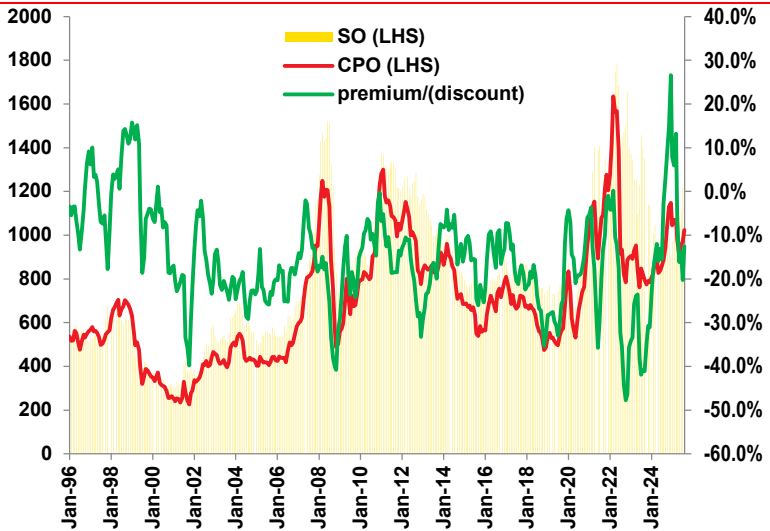
Source: MPOB

EXHIBIT 3: PALM EXPORTS (MILLION TONNES)



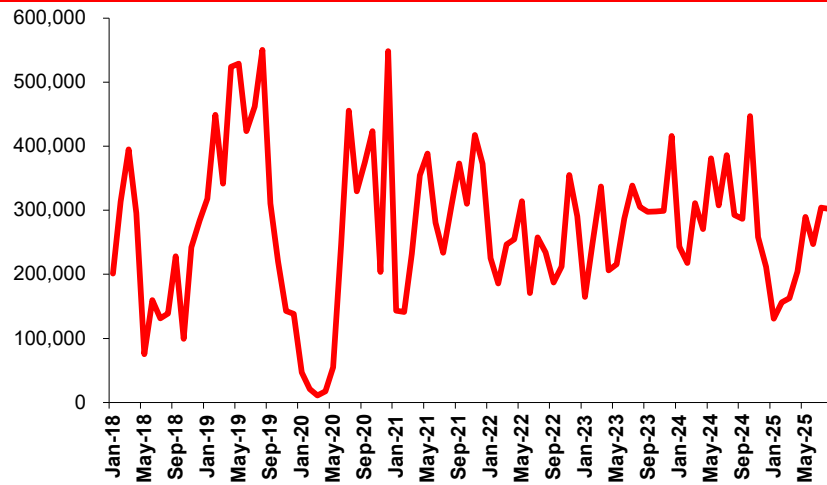
Source: MPOB

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



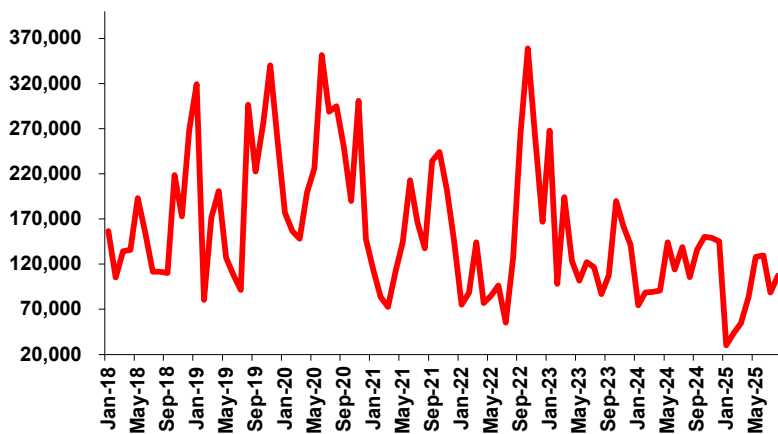
Source: MPOB, Bloomberg

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

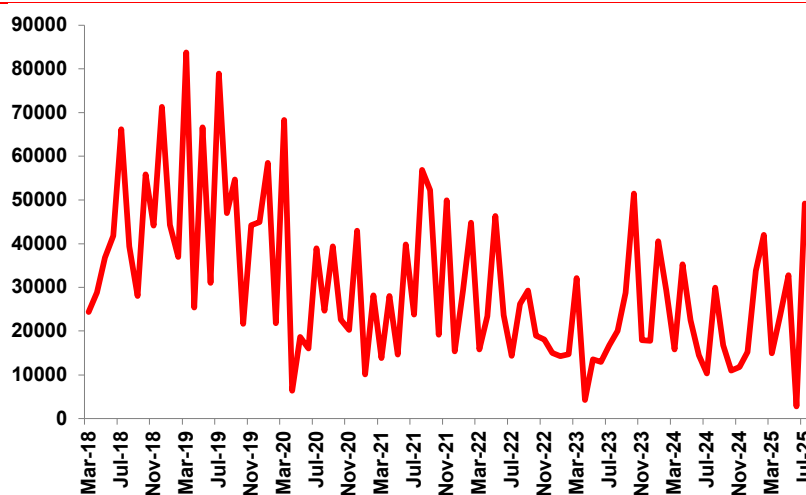


Source: MPOB, Intertek

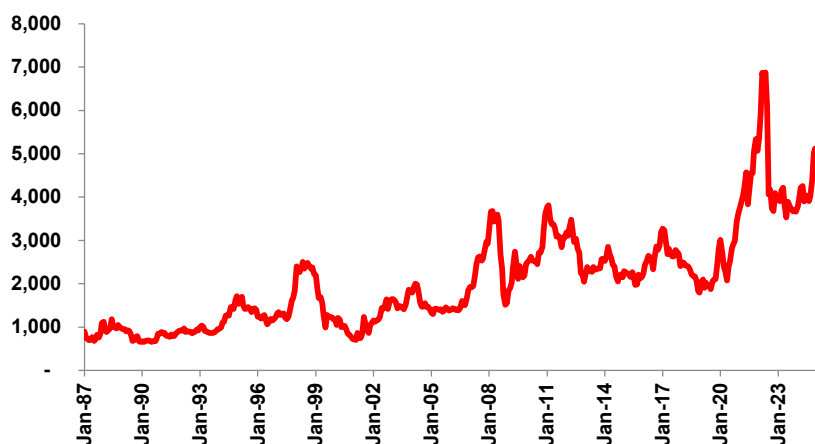
EXHIBIT 6: MALAYSIA'S PALM EXPORTS TO CHINA (TONNES)



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	3.93	21.6	23.4	18.2	16.8	4.05	3.1%	Hold
KLK	20.20	90.9	114.1	22.2	17.7	20.70	2.5%	Hold
SD Guthrie	5.15	26.4	27.2	19.5	18.9	4.89	-5.0%	Hold
Gent Plant	4.85	37.2	38.9	13.0	12.5	5.84	20.4%	Buy
Johor Plantations	1.36	11.4	11.5	11.9	11.8	1.72	26.5%	Buy
TSH Resources	1.16	10.8	10.8	10.7	10.7	1.29	11.2%	Hold
Kim Loong	2.27	17.2	17.5	13.2	13.0	2.75	21.1%	Buy

Source: AmlInvestment Bank

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