

Plantation

OVERWEIGHT

(Maintained)

Rationale for report: Sector Update

Analyst (s)

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Inventory falls below 3mil tonnes

The Malaysian Palm Oil Board (MPOB) has released the palm statistics for January 2026. Palm inventories finally eased in January after rising in the preceding 10 months. Malaysia's palm stocks shrank to 2.8mil tonnes in January (*Bloomberg* consensus: 2.9mil tonnes) from 3.1mil tonnes in December. We expect palm inventory to slide further as CPO output declines during the fasting season and Hari Raya festivities . Our 2026F average CPO price assumption is RM4,400/tonne for the pure Malaysian planters (2025: RM4,332/tonne). Our Buys in the sector are SD Guthrie (TP: RM6.90), Johor Plantations (TP: RM2.00), Genting Plantations (TP: RM6.07) and Kim Loong Resoures (TP: RM2.91).

- **CPO production fell by 13.8% MoM but surged by 27.3% YoY to 1.6 mil tonnes in January.** The YoY increase in CPO output was driven mainly by favourable weather conditions. Recall that Johor and Sabah were hit by floods in 1Q2025. However, we do not think that the strong output growth is sustainable. We expect CPO production to decline YoY in 2H2026. After a bumper harvest in 2H2025, FFB yields in Malaysia and Indonesia are expected to take a breather in 2H2026.
- **Global CPO production to ease in 2026.** *Oil World* forecasts Malaysia's CPO production to retrace to 19.5mil tonnes in 2026F from 20.3mil tonnes in 2025. CPO output in Indonesia is envisaged to be 49mil tonnes in 2026F vs. 49.5mil to 50mil tonnes in 2025.
- **Demand for palm products improved in January 2026.** Palm exports grew by 11.4% MoM and 24% YoY to 1.5mil tonnes in January. According to *Intertek*, Malaysia's palm shipments to India surged more than two-fold YoY to 358,695 tonnes in January while exports to China expanded by 33% to 40,145 tonnes. However, demand from the EU tumbled by 12% YoY to 263,829 tonnes in January.
- **Indian buyers are back as soybean oil has become more expensive.** *Bloomberg* reported that Indian buyers cancelled 30,000 to 40,000 tonnes of soybean oil, which were supposed to be delivered in 1H2026. Soybean oil has become expensive as prices rose, and the Indian Rupee depreciated against the USD. The average price discount between US soybean oil and CPO widened to 12.7% in January from 10.1% in December. Against Argentinean soybean oil, CPO was 8% or RM339/tonne cheaper.
- **However, China's demand could weaken going forward.** Soybean oil supply in the country is anticipated to increase this year as China's soybean imports have risen. The country's soybean imports grew by 6.5% to 111.8mil tonnes in 2025 as it resumed purchases of US soybeans after a trade agreement in October. In contrast, the country's palm imports shrank by 8.2% to 2.6mil tonnes in 2025.
- **An Increase in US biodiesel blending would support vegetable oil prices.** Although Indonesia has delayed B50, the USA is expected to finalise its biodiesel blending mandate in March. The country is anticipated to raise its biodiesel blending from 3.35bil gallons in 2025 to 5.2bil gallons in 2026F. This would absorb more than half of US soybean oil supply and support prices.

Key indicators

2026F CPO Price:
 RM4,400/tonne

Top picks

SD Guthrie
 TP: RM6.90
 Rec: BUY
 Upside/Downside: +19.4%

Johor Plantations
 TP: RM2.00
 Rec: BUY
 Upside/Downside: +32.5%

Genting Plantations
 TP: RM6.07
 Rec: BUY
 Upside/Downside: +18.6%

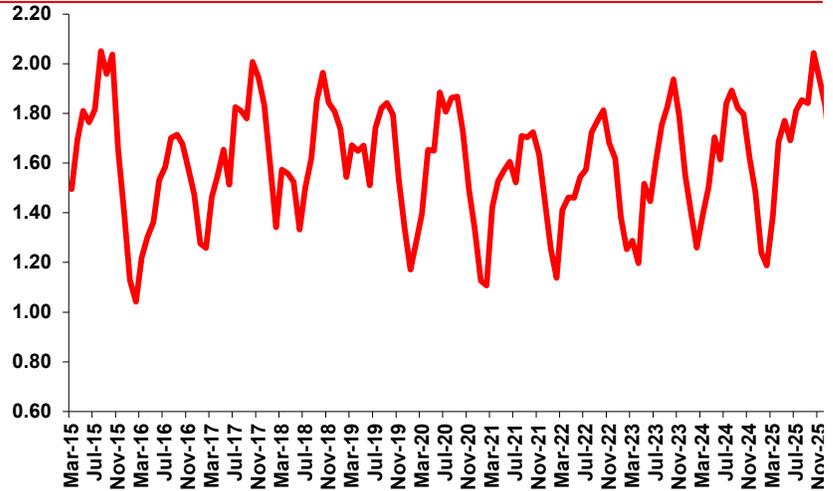
Kim Loong
 TP: RM2.91
 Rec: BUY
 Upside/Downside: +22.3%

IOI Corp
 TP: RM4.12
 Rec: HOLD
 Upside/Downside: +2.2%

KL Kepong
 TP: RM20.80
 Rec: HOLD
 Upside/Downside: +4.5%

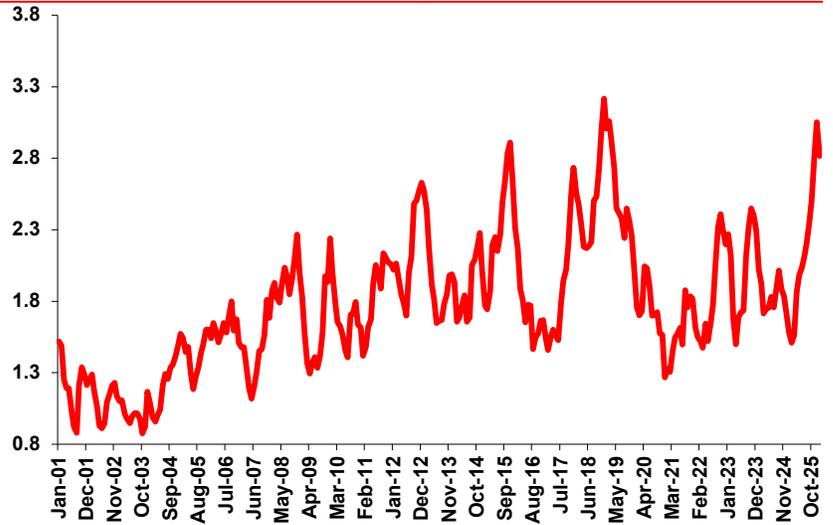
TSH Resources
 TP: RM1.33
 Rec: HOLD
 Upside/Downside: +9.0%

EXHIBIT 1. CPO PRODUCTION



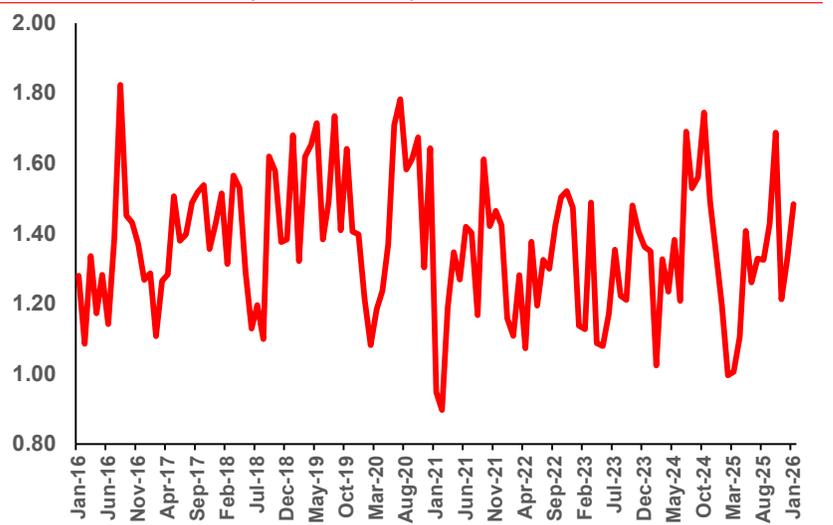
Source: MPOB

EXHIBIT 2. PALM INVENTORY (MILLION TONNES)



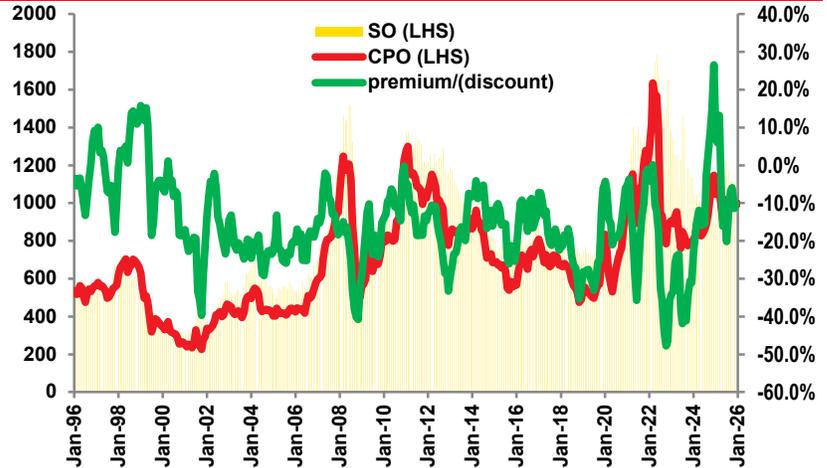
Source: MPOB

EXHIBIT 3. PALM EXPORTS (MILLION TONNES)



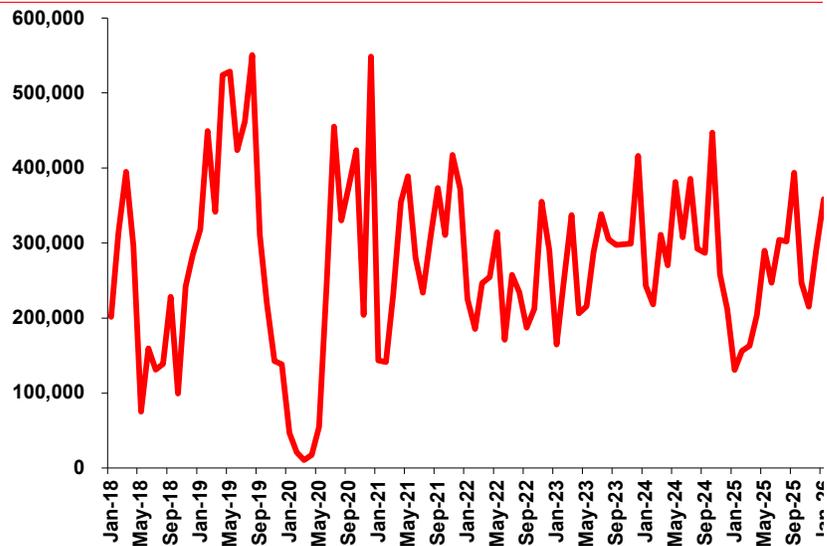
Source: MPOB

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



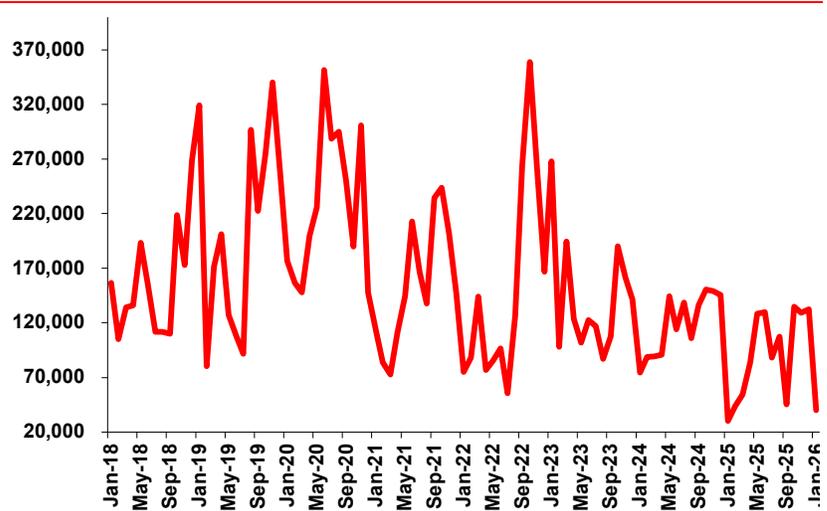
Source: MPOB, Bloomberg

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



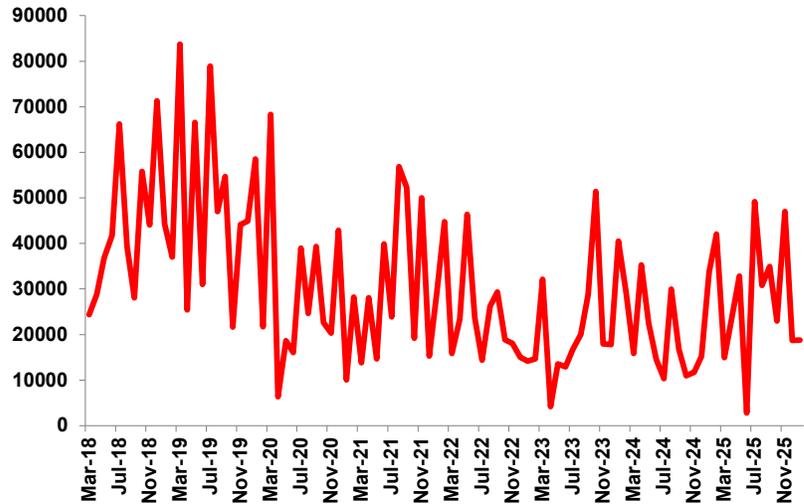
Source: MPOB, Interlek

EXHIBIT 6. MALAYSIA'S PALM EXPORT TO CHINA (TONNES)



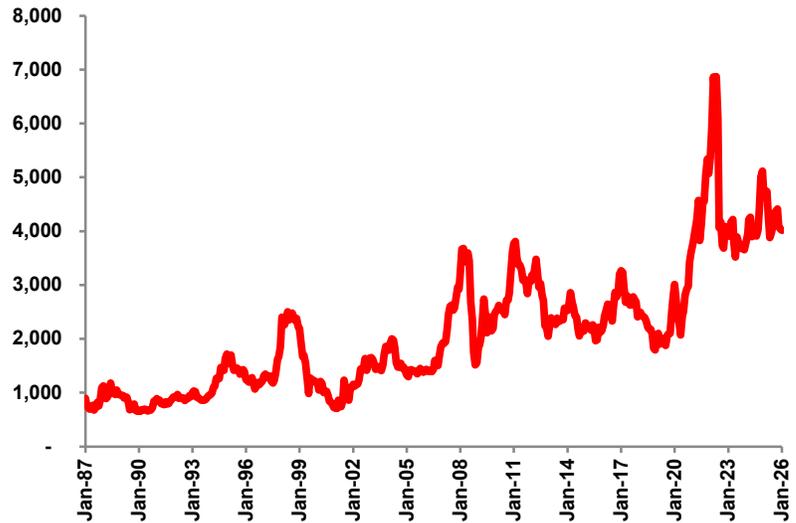
Source: MPOB, Interlek

EXHIBIT 7. BIODIESEL EXPORTS (TONNES)



Source: MPOB

EXHIBIT 8. HISTORICAL CPO PRICE CYCLE (RM/TONNE)



Source: MPOB

VALUATION MATRIX

Stock	Call	Share price RM/share	Market cap RMmil	Fair value RM/share	EPS		PE	
					(sen)	(sen)	(x)	(x)
					FY26F	FY27F	FY26F	FY27F
IOI Corp	Hold	4.03	25,000.9	4.12	24.0	26.2	16.8	15.4
KLK	Hold	19.90	22,162.6	20.80	117.7	132.0	16.9	15.1
SD Guthrie	Buy	5.78	39,972.7	6.90	34.4	36.0	16.8	16.1
Gent Plant	Buy	5.12	4,593.7	6.07	40.5	41.0	12.6	12.5
Johor Plantations	Buy	1.51	3,775.0	2.00	13.2	13.3	11.4	11.4
TSH Resources	Hold	1.22	1,683.8	1.33	11.1	11.7	11.0	10.4
Kim Loong	Buy	2.38	2,337.4	2.91	18.2	18.8	13.1	12.7

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