



AmInvestment Bank

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# PLANTATION

*Inventory rises to 2mil tonnes in May*

## NEUTRAL

(Maintained)

*Rationale for report: Sector Update*

### Investment Highlights

#### Key Indicators

2025F CPO Price:  
RM4,250/tonne

#### Stock Universe

##### Johor Plantations

TP: RM1.67

Rec: BUY

Upside/Downside: +38.9%

##### IOI Corp

TP: RM4.05

Rec: HOLD

Upside/Downside: +12.8%

##### TSH Resources

TP: RM1.38

Rec: BUY

Upside/Downside: +27.8%

##### KL Kepong

TP: RM21.71

Rec: HOLD

Upside/Downside: +2.7%

##### SD Guthrie

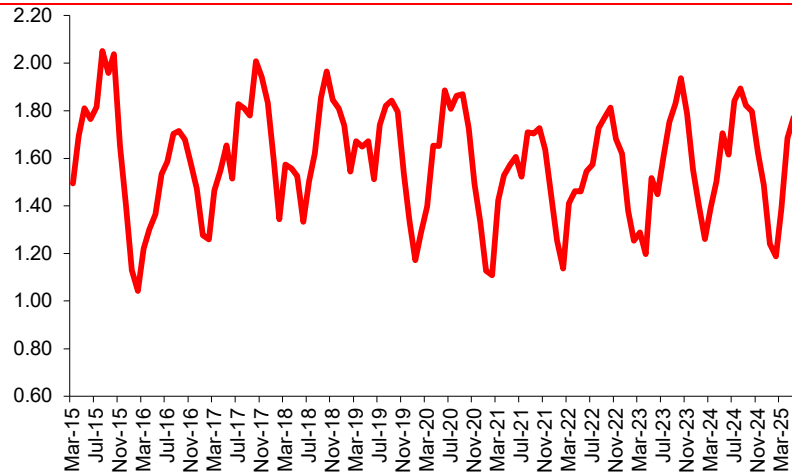
TP: RM4.28

Rec: HOLD

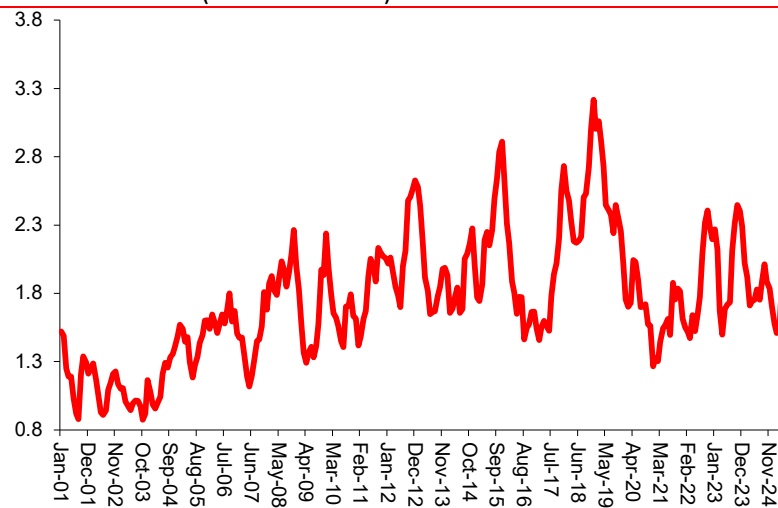
Upside/Downside: +8.2%

The Malaysian Palm Oil Board (MPOB) has released the palm statistics for May 2025. The country recorded an inventory of 2mil tonnes in May, which was 6.6% higher than 1.9mil tonnes in April. May's palm stocks were within *Bloomberg* consensus. The monthly rise in palm inventory in May was driven by a 5.1% increase in production and 4% decline in domestic consumption. Looking ahead, we believe that CPO production would reach the highest level in August or September. Thereafter in 4Q, we expect CPO inventory to fall below 2mil tonnes in line with the seasonal downward trend in FFB production. We maintain an average CPO price assumption of RM4,250/tonne for 2025F (5M2025: RM4,474/tonne). We are Neutral on the plantation sector with BUYS on Johor Plantations Group (TP: RM1.67/share) and TSH Resources (TP: RM1.38/share).

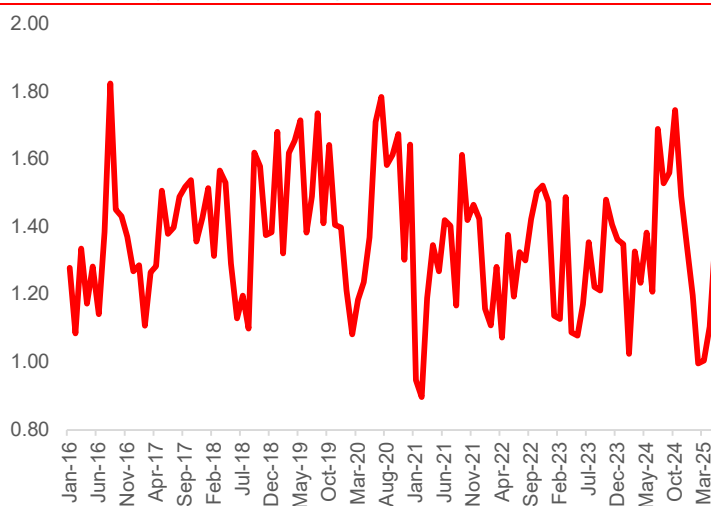
- **CPO production was relatively flat YoY at 7.3mil tonnes in 5M2025.** Oil World forecasts Malaysia's CPO production to stagnate at 19.3mil tonnes in 2025F (2024: 4.2% growth). The small 5.1% monthly increase in CPO output in May is not surprising as production had surged by a strong 16.8% in March and 21.5% in April. After the bumper harvest from March to May, we believe that CPO output would ease in June before picking up in July. CPO production in Sabah rose by 4.7% MoM to 402,720 tonnes in May while in Peninsular Malaysia, CPO output expanded by 5.9% to 997,785 tonnes. CPO production in Sarawak inched up by 3.2% MoM to 371,116 tonnes in May.
- **Palm exports soared by 25.6% MoM to 1.4mil tonnes in May.** We attribute the strong demand in May to the price discount between CPO and soybean oil. According to Intertek, Malaysia's palm shipments to India surged by 42% MoM to 289,799 tonnes in May while demand from China jumped by 52.7% to 128,220 tonnes. Palm exports to the EU rebounded by 11.9% MoM to 297,351 tonnes in May. Going forward, we believe that India's palm demand would remain robust as the country has reduced the import tax on crude palm oil to 10% from 20%. We think that European customers may start re-stocking inventories before the EUDR is implemented on 30 December 2025.
- **CPO's price discount to US soybean oil widened in May.** We estimate the average price discount between CPO and US soybean oil to be 16.1% in May vs. 6.5% in April. We attribute the increase in the discount to the decline in CPO prices resulting from an increase in palm supply. On the other hand, US soybean oil price remained high underpinned by unfavourable weather conditions in South America and a potential increase in the US biodiesel blending mandate.
- **Palm imports rose by 6.2% MoM in May.** On a yearly basis, Malaysia's palm imports more than doubled to 457,818 tonnes in 5M2025. The rise in palm imports was driven by the large price differential between CPO in Malaysia and Indonesia. We estimate Indonesia's CPO price to be at least US\$202/tonne (RM890/tonne) weaker than Malaysia in 5M2025 compared to US\$123/tonne (RM582/tonne) in 5M2024. Going forward as Indonesia has lowered the CPO export tax and levy in June by US\$10/tonne, the price differential between Malaysia and Indonesia would narrow. This may reduce imports of Indonesian palm products by Malaysian downstream companies.

**EXHIBIT 1: CPO PRODUCTION**

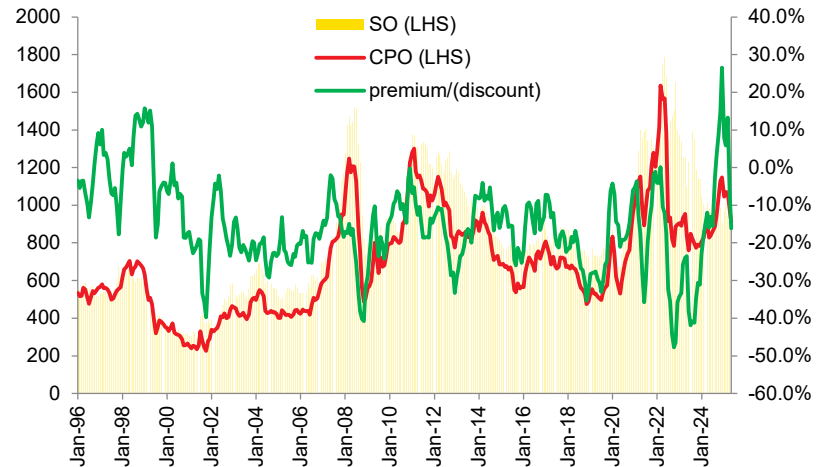
Source: MPOB

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

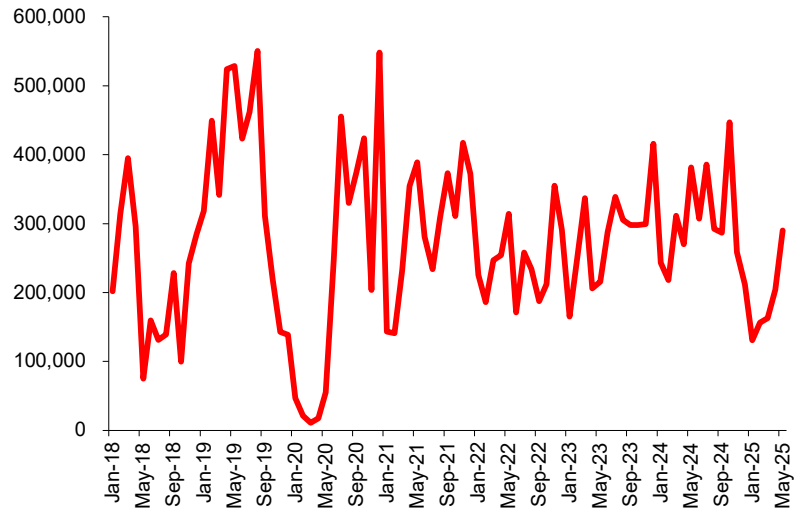
Source: MPOB

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

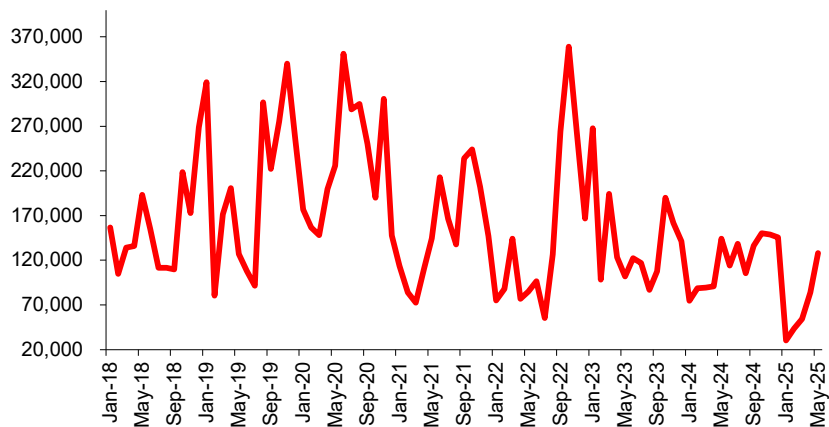
Source: MPOB

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

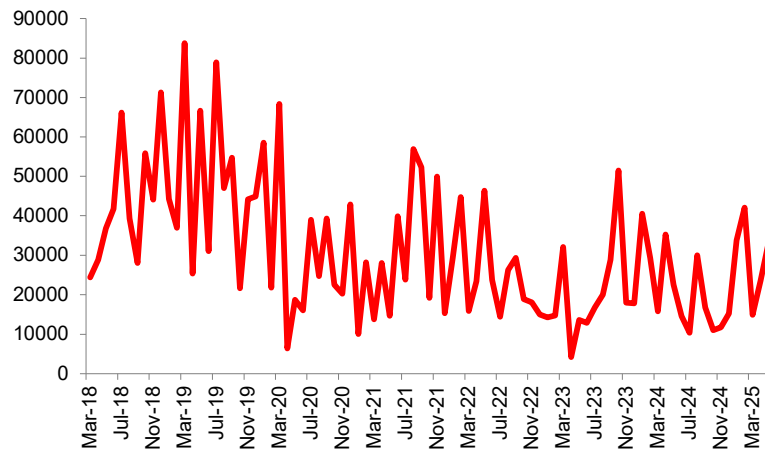
Source: MPOB, Bloomberg

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

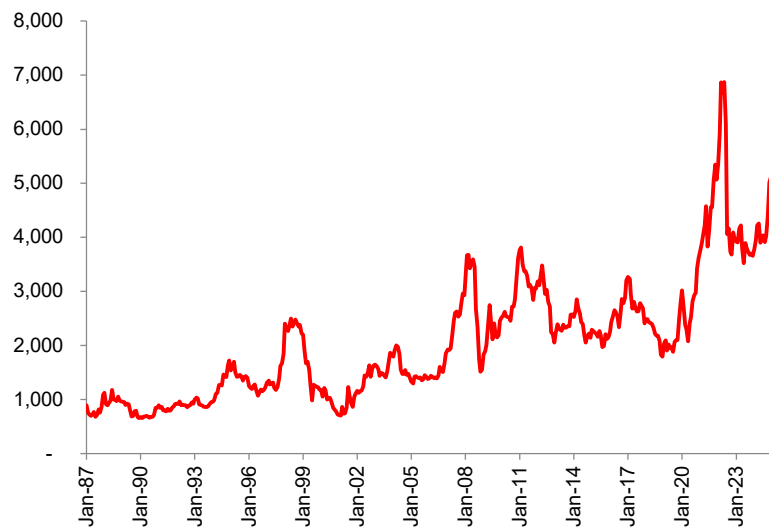
Source: MPOB, Intertek

**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	3.59	20.3	21.4	17.7	16.8	4.05	12.8%	3.1%
KLK	19.96	77.9	112.9	25.6	17.7	20.50	2.7%	3.3%
SD Guthrie	4.52	26.4	27.2	17.1	16.6	4.89	8.2%	3.8%
Gent Plant	1.20	10.9	11.1	11.0	10.8	1.67	38.9%	4.6%
Johor Plantations	1.08	10.8	11.5	10.0	9.4	1.38	27.8%	1.9%
TSH Resources	3.59	20.3	21.4	17.7	16.8	4.05	12.8%	3.1%

Source: AmlInvestment Bank

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