

11 Dec 2025

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PLANTATION

Palm inventory hits 2.8mil tonnes

OVERWEIGHT

(Upgraded)

Rationale for report: Sector Update

Investment Highlights

Key Indicators

2026F CPO Price:
RM4,400/tonne

Stock Universe

SD Guthrie
TP: RM6.20
Rec: BUY
Upside/Downside: +17.9%

Johor Plantations
TP: RM2.00
Rec: BUY
Upside/Downside: +26.6%

Genting Plantations
TP: RM6.07
Rec: BUY
Upside/Downside: +22.1%

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

IOI Corp
TP: RM4.12
Rec: HOLD
Upside/Downside: +1.7%

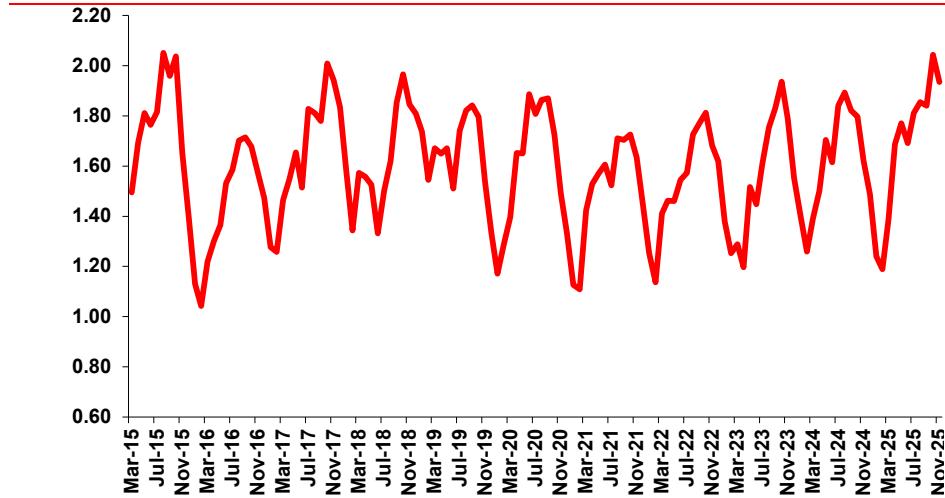
KL Kepong
TP: RM20.80
Rec: HOLD
Upside/Downside: +8.3%

TSH Resources
TP: RM1.33
Rec: HOLD
Upside/Downside: +3.1%

The Malaysian Palm Oil Board (MPOB) has released the palm statistics for November 2025. Unexpectedly, the country's palm inventory climbed by 13% to 2.8mil tonnes in November from 2.5mil tonnes in October. The highest ever level of inventory was 3.2mil tonnes, which was recorded in December 2018. The inventory of 2.8mil tonnes exceeded *Bloomberg* consensus estimates of 2.7mil tonnes. Although CPO output declined in November, exports fell even more. Going forward, it appears that palm inventory may stay above 2.5mil tonnes as demand is weak. In spite of this, we have assumed an average CPO price of RM4,400/tonne for the pure Malaysian planters in 2026F compared to the estimated average price of RM4,300/tonne in 2025F. We believe that implementation of B50 in Indonesia in 2H2026 would sustain CPO prices. We have BUYS on SD Guthrie (TP: RM6.20/share), Johor Plantations Group (TP: RM2.00/share), Genting Plantations (TP: RM6.07/share) and Kim Loong Resources (TP: RM2.91/share).

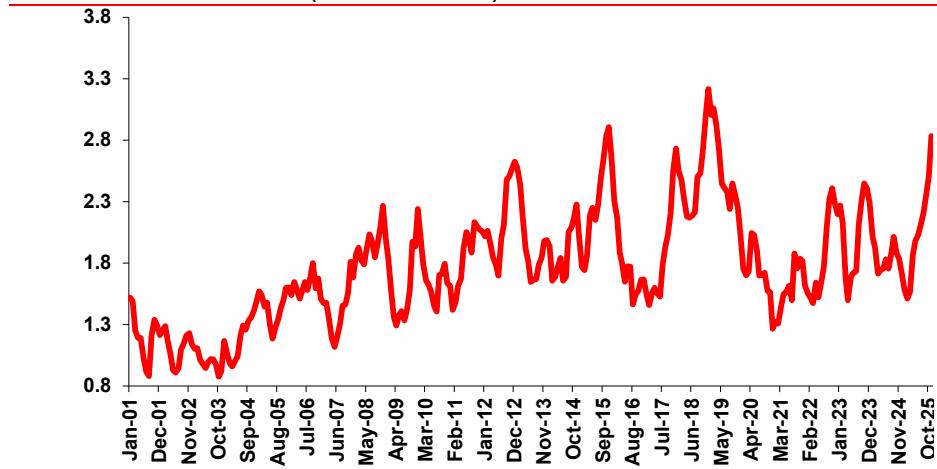
- **Entering low output season.** CPO production slid by 5.3% MoM to 1.9mil tonnes in November. CPO output declined by 6.7% MoM to one million tonnes in Peninsular Malaysia in November while in Sabah, CPO production edged down by 2% to 436,752 tonnes. In Sarawak, CPO output fell by 5.2% to 453,418 tonnes. Comparing 11M2025 against 11M2024, CPO production in Malaysia grew by 3.4% YoY to 18.5mil tonnes.
- **Global palm production may ease in 2026F.** *Oil World* forecasts CPO production in Malaysia to drop to 19.5mil tonnes in 2026F from 19.9mil tonnes in 2025F. CPO output in Indonesia is estimated to fall to 49mil tonnes in 2026F from 49.6mil to 50mil tonnes in 2025F. We attribute the decline in CPO production in the two countries to replanting and ageing oil palm trees.
- **Weak demand for palm products in 2025F.** Palm exports sank by 10.2% YoY to 14mil tonnes in 11M2025. Demand from China, India and the EU was poor. According to *Intertek*, China's imports of Malaysian palm products slumped by 23.9% YoY in 11M2025 while demand from India retreated by 22%. Palm shipments to the EU retraced by 11.7%.
- **China's palm demand dropped.** We attribute China's weak demand to the large supply of soybean oil and slower economic activities. According to the General Administration of Customs, China's palm imports slid by 6.9% YoY in 10M2025. As for India, we believe that the country switched to Argentinean soybean oil in October and November as Argentina abolished the export tax on soybean products. Incidentally, *Bloomberg* reported that India has secured large purchases of soybean oil from Argentina for the period of April to July 2026 to hedge against a shortage of supply of edible oils when Indonesia implements B50 in 2H2026.
- **CPO's price discount to US soybean oil expanded in November.** Average price discount widened to 11.4% (US\$127/tonne) in November from 6% in October. This was due to the fall in CPO prices as palm inventory was high. In contrast to the fall in CPO prices, US soybean oil prices stayed above US\$0.50/pound. Against Argentinean soybean oil, CPO was cheaper by US\$107/tonne. Hence, there was impetus for India to buy soybean oil from the country.

EXHIBIT 1: CPO PRODUCTION



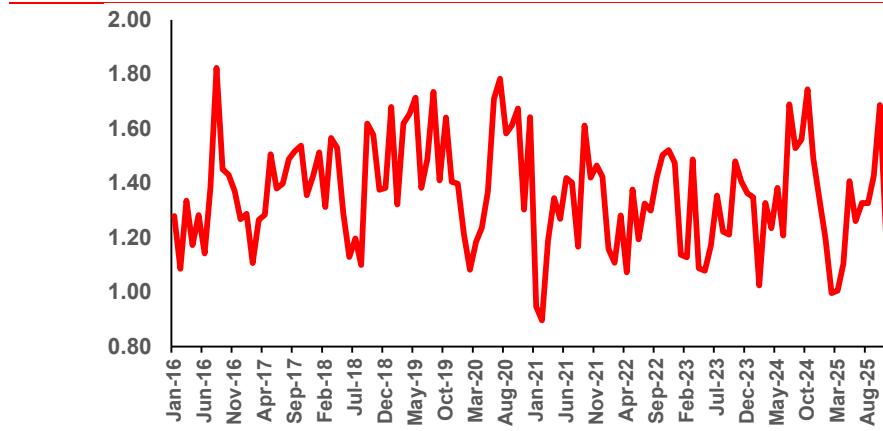
Source: MPOB

EXHIBIT 2: PALM INVENTORY (MILLION TONNES)



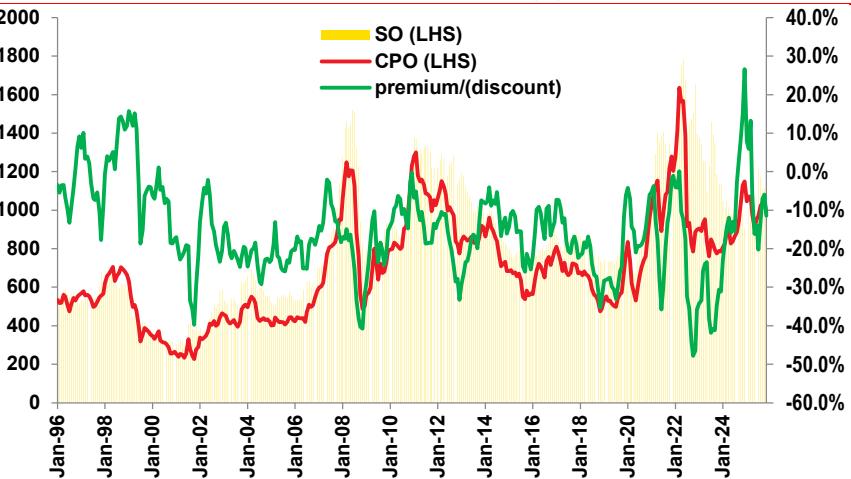
Source: MPOB

EXHIBIT 3: PALM EXPORTS (MILLION TONNES)



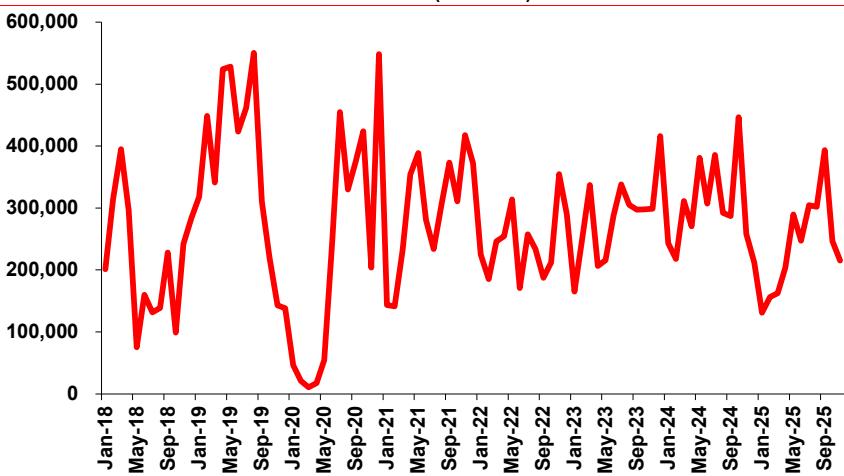
Source: MPOB

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



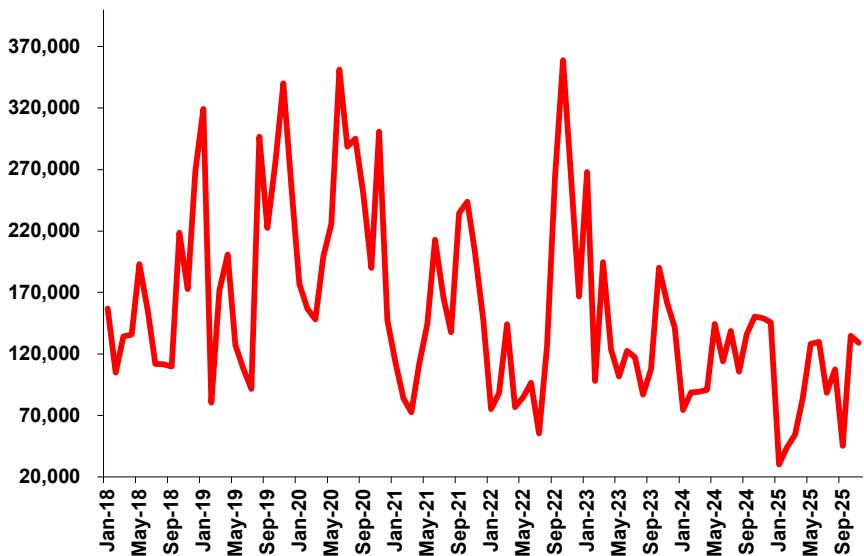
Source: MPOB, Bloomberg

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



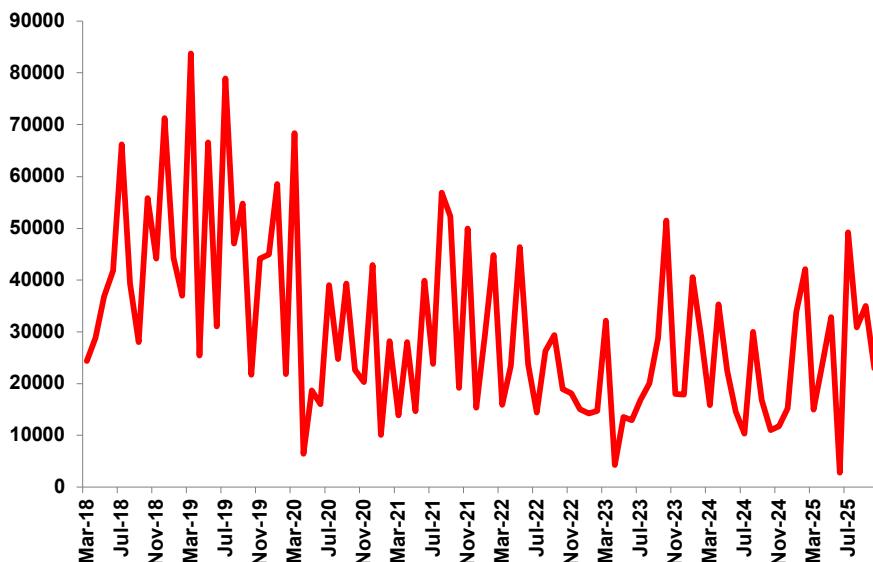
Source: MPOB, Intertek

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	4.05	21.7	24.0	18.7	16.9	4.12	1.7%	Hold
KLK	19.20	114.9	117.8	16.7	16.3	20.80	8.3%	Hold
SD Guthrie	5.26	33.2	34.4	15.8	15.3	6.20	17.9%	Buy
Gent Plant	4.97	37.2	40.5	13.4	12.3	6.07	22.1%	Buy
Johor Plantations	1.58	13.1	13.2	12.1	12.0	2.00	26.6%	Buy
TSH Resources	1.29	14.8	11.1	8.7	11.6	1.33	3.1%	Hold
Kim Loong	2.38	17.9	18.2	13.3	13.1	2.91	22.3%	Buy

Source: AmInvestment Bank

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