AmInvestment Bank

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PLANTATION

CPO production to ease soon

NEUTRAL

(Maintained)

Gan Huey Ling, CFA
gan-huey-ling@ambankgroup.com
+603 2036 2305

Rationale for report: Sector Update

Key Indicators

2025F CPO Price:
RM4,250/tonne

Stock Universe

Johor Plantations
TP: RM1.67
Rec: BUY
Upside/Downside: +27.3%

IOI Corp
TP: RM4.05
Rec: HOLD
Upside/Downside: +8.3%

TSH Resources
TP: RM1.38
Rec: BUY
Upside/Downside: +21.1%

Kim Loong
TP: RM2.75
Rec: BUY
Upside/Downside: +20.1%

KL Kepong
TP: RM20.50
Rec: HOLD
Upside/Downside: +5.6%

SD Guthrie
TP: RM4.89
Rec: HOLD
Upside/Downside: -0.4%

Investment Highlights

The Malaysian Palm Oil Board (MPOB) has released the palm statistics for July 2025. Malaysia's palm inventory rose 4% to 2.1mil tonnes in July from 2mil tonnes in June. This was below *Bloomberg* consensus estimates of 2.2mil tonnes. The monthly increase in palm stocks in July can be attributed mainly to a 7.1% rise in production. We believe that palm inventory would reach the highest level in August or September. We expect CPO production to soften from October onwards due to seasonal factors. As such, we reckon that CPO prices would be supported above the RM4,000/tonne level until the end of March 2026. In spite of this, we are Neutral on the plantation sector as the large planters are expected to be affected by poor downstream margins. We have BUYs on the purer companies such as Johor Plantations Group (TP: RM1.67/share), Kim Loong Resources (TP: RM2.75/share) and TSH Resources (TP: RM1.38/share). Our average CPO price assumption for 2025F remains unchanged at RM4,250/tonne (7M2025: RM4,350/tonne).

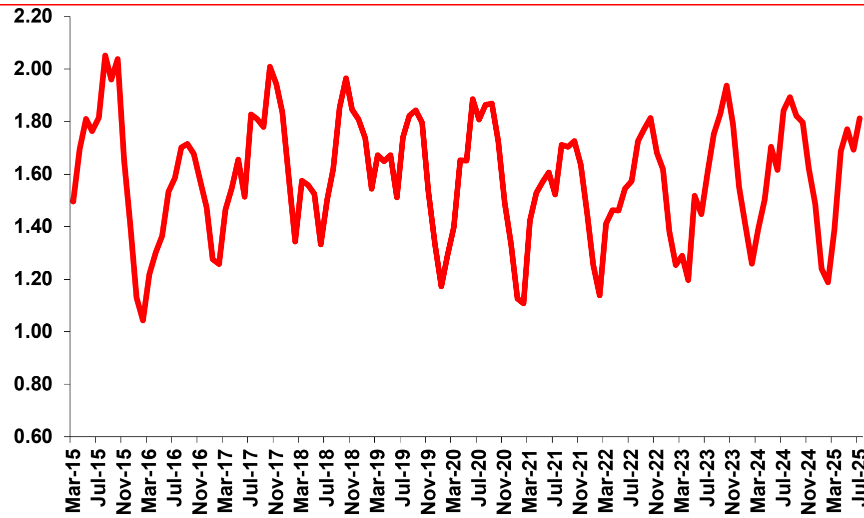
- **CPO production expanded by 7.1% to 1.8mil tonnes in July from 1.7mil tonnes in June.** On a yearly basis however, Malaysia's CPO output inched up by a mere 0.6% to 10.8mil tonnes in 7M2025. We attribute the meagre growth to unfavourable weather conditions in 1Q. The MPOB has forecast the country's CPO production to be 19.5mil tonnes in 2025F vs. 19.3mil tonnes in 2024.

- **CPO exports grew by 3.8% MoM to 1.3mil tonnes in July.** According to *Intertek*, exports to India expanded by 23.2% in July. This compensated for a 32% fall in shipments to China and 15.6% decline in exports to the EU. We believe that India is replenishing its cooking oil reserves. India's inventory of edible oils at the ports and pipelines stood at a low 1.6mil tonnes on 1 July 2025 (1 June: 1.3mil tonnes) vs. 2.6mil tonnes a year ago.

- **CPO's price discount to US soybean oil widened in July.** The average price discount between CPO and US soybean oil was 20.2% in July vs. 13.9% in June. In July, US soybean oil prices continued to rise on the back of a higher biodiesel blending mandate in contrast to CPO prices, which have not surpassed RM4,400/tonne yet. However comparing CPO against Argentina soybean oil, the price discount was smaller at 8.2% in July. Due to this, there have been occasions when palm buyers switched to Argentinean soybean oil from CPO. Argentinean soybean oil price is about US$100 to US$200/tonne cheaper than US soybean oil.

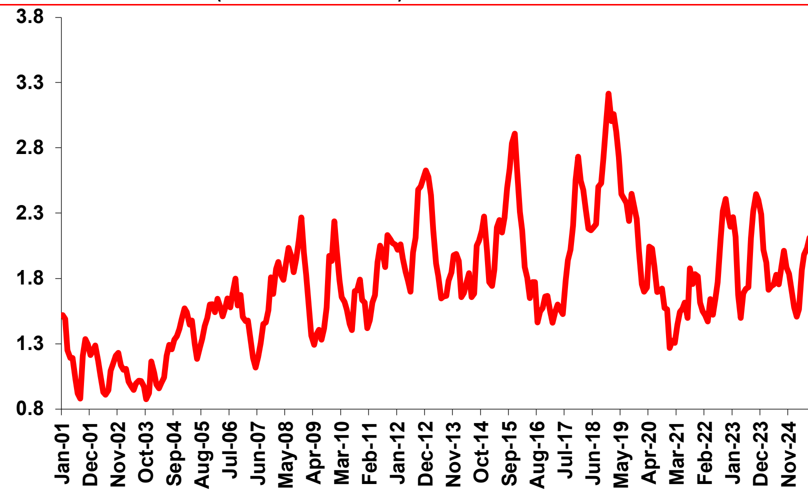
- **Palm imports rose by 4.4% MoM to 85,555 tonnes in July.** Going forward, we expect imports of Indonesia's palm products by Malaysian downstream companies to continue increasing. The price difference between Indonesia and Malaysia is anticipated to widen in August as Indonesia has raised the CPO export tax and levy in line with the higher CPO prices. The CPO export tax is US$74/tonne in August vs. US$52/tonne in July while the export levy is US$91/tonne compared to US$88s/tonne in the previous month.

EXHIBIT 1: CPO PRODUCTION



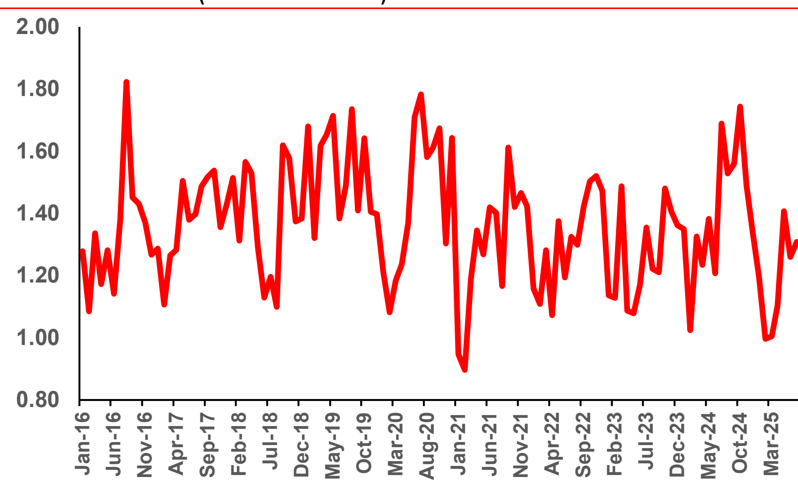
Source: MPOB

EXHIBIT 2: PALM INVENTORY (MILLION TONNES)



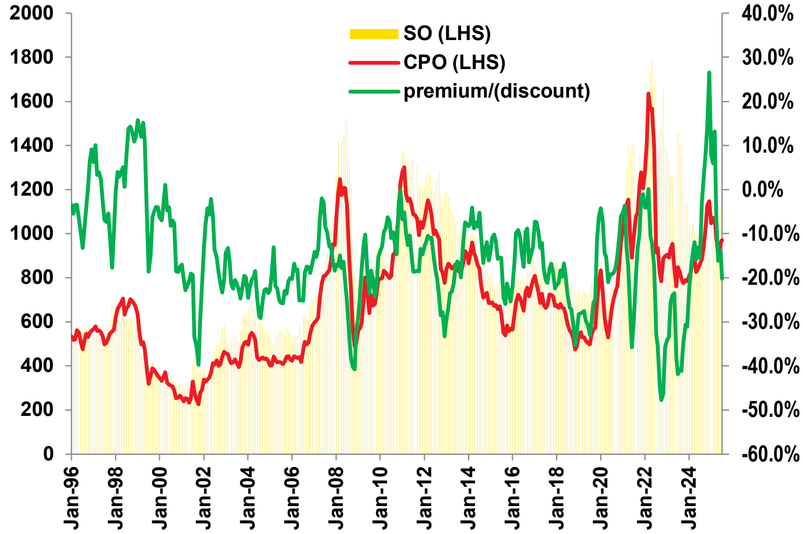
Source: MPOB

EXHIBIT 3: PALM EXPORTS (MILLION TONNES)



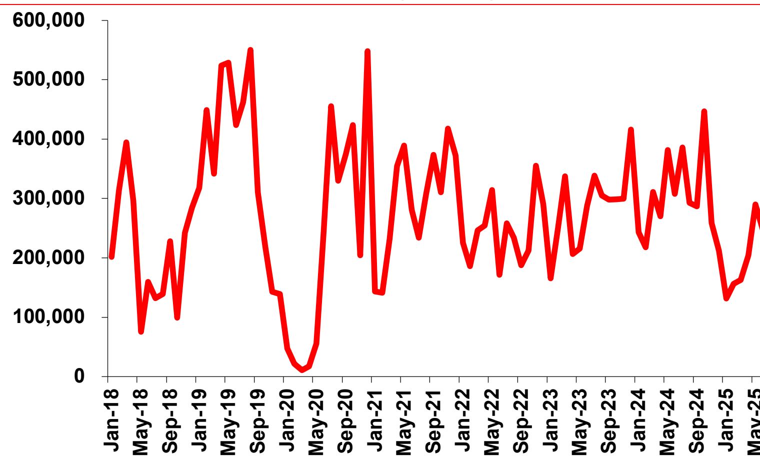
Source: MPOB

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



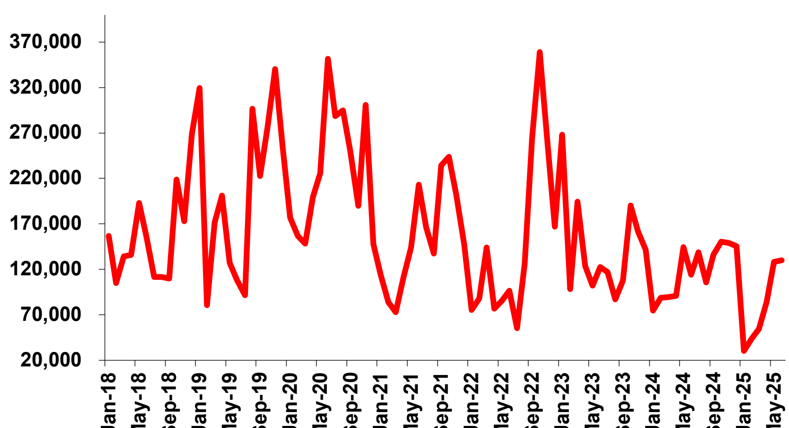
Source: MPOB, Bloomberg

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



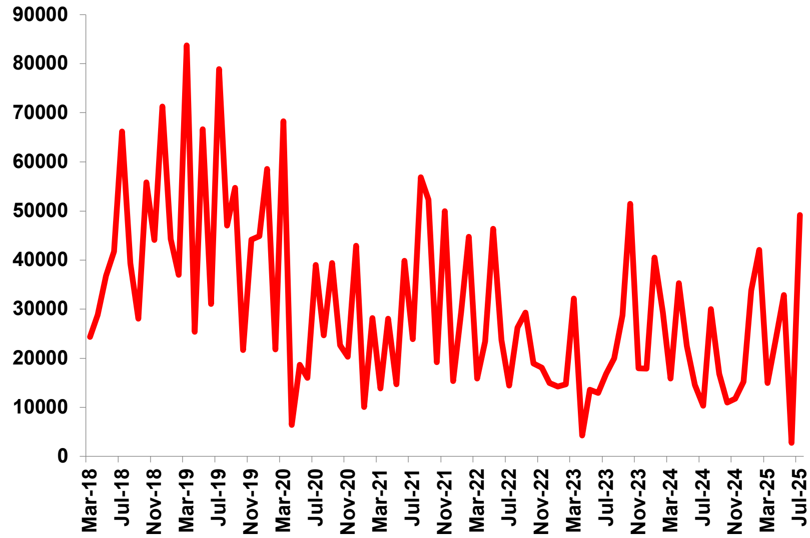
Source: MPOB, Intertek

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



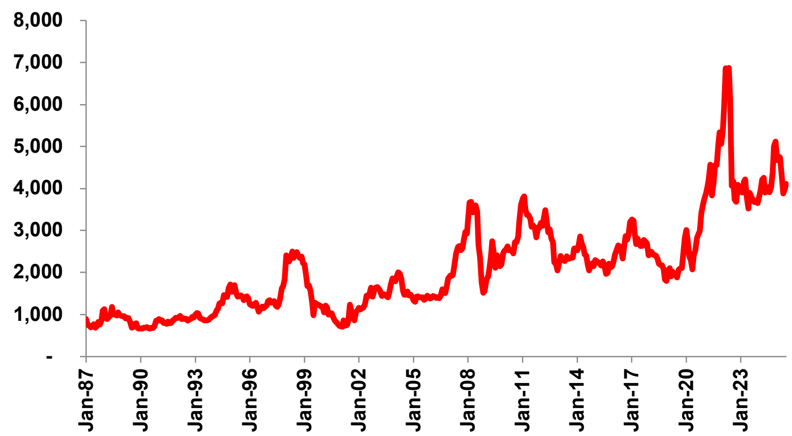
Source: MPOB, Intertek

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	3.74	20.3	21.4	18.4	17.5	4.05	8.3%	Hold
KLK	19.42	77.9	112.9	24.9	17.2	20.50	5.6%	Hold
SD Guthrie	4.91	26.4	27.2	18.6	18.1	4.89	-0.4%	Hold
Johor Plantations	1.31	10.9	11.1	12.0	11.8	1.67	27.3%	Buy
TSH Resources	1.14	10.8	11.5	10.6	9.9	1.38	21.1%	Buy
Kim Loong	2.29	17.2	17.5	13.3	13.1	2.75	20.1%	Buy

Source: AmInvestment Bank

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