

# Plantation

## OVERWEIGHT

(Maintained)

Rationale for report: Sector Update

### Analyst (s)

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## Palm inventory exceeds 3mil tonnes

The Malaysian Palm Oil Board (MPOB) has released the palm statistics for December 2025. The country ended the year on high palm inventories. Palm inventory rose to 3.1mil tonnes in December ( *Bloomberg* consensus: 3mil tonnes) from 2.8mil tonnes in November. The highest level of palm inventory ever was 3.2mil tonnes in December 2018. Going forward however, we expect palm stockpiles to fall due to the seasonally weaker production in 1Q. Also, we believe that palm demand from India would pick up as the country has delayed or cancelled several shipments of soybean oil from Argentina due to high prices. We have an average CPO price assumption of RM4,400/tonne for the pure Malaysian planters in 2026F. 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).

- **Malaysia's CPO production rose by 4.9% to 20.3mil tonnes in 2025.** For the first time ever, the country's CPO output exceeded 20mil tonnes. We believe that the improvement in CPO production was driven by favourable weather conditions in Sabah in 4Q. On a monthly basis however, CPO output shrank by 5.5% to 1.8mil tonnes in December due to floods in certain areas such as Pahang, Johor and Terengganu.
- **Global palm production is expected to decline in 2026F.** Oil World has forecast Malaysia's CPO output to be 19.5mil tonnes in 2026F vs. 20.3mil tonnes in 2025. In Indonesia, CPO production is envisaged to edge down to 49mil tonnes in 2026F from 49.5mil to 50mil tonnes in 2025.
- **Demand for palm products was poor in 2025.** Malaysia's palm exports tumbled by 9.5% to 15.3mil tonnes in 2025 in contrast to the 4.9% expansion in CPO production. According to Intertek, palm shipments to China sank by 22.4% to 1.1mil tonnes in 2025 while exports to India slumped by 18.6% to 2.9mil tonnes. Palm shipments to the EU retreated by 10.7% to 3.7mil tonnes in 2025.
- **CPO's price discount to US soybean oil was small in 2025.** The price discount between the two commodities inched up to 6.4% in 2025 from 5.1% in 2024. We attribute this to the rise in US soybean oil prices in mid-2025 as the USA had proposed a higher biodiesel blending mandate. Although CPO was cheaper than US soybean oil in 2025, palm demand was weak. This is because in 4Q2025, Argentinean soybean oil price dropped due to the temporary removal of the export duty. India started buying soybean oil from Argentina at the expense of CPO. Recently however, *Bloomberg* reported that India has delayed or cancelled some shipments from Argentina as Argentinean prices have gone up.
- **A silver lining is the roll-out of Indonesia's B50 biodiesel policy in 2H2026.** Despite the weak global demand, we believe that palm supply would start tightening in 2H2026 as Indonesia implements the B50 biodiesel blending policy. B50 would absorb almost 33% to 35% of Indonesia's CPO production. Currently, the country implements B40.

### Key indicators

**2026F CPO Price:**  
RM4,400/tonne

### Top picks

**SD Guthrie**  
TP: RM6.20  
Rec: BUY  
Upside/Downside: +4.9%

**Johor Plantations**  
TP: RM2.00  
Rec: BUY  
Upside/Downside: +21.2%

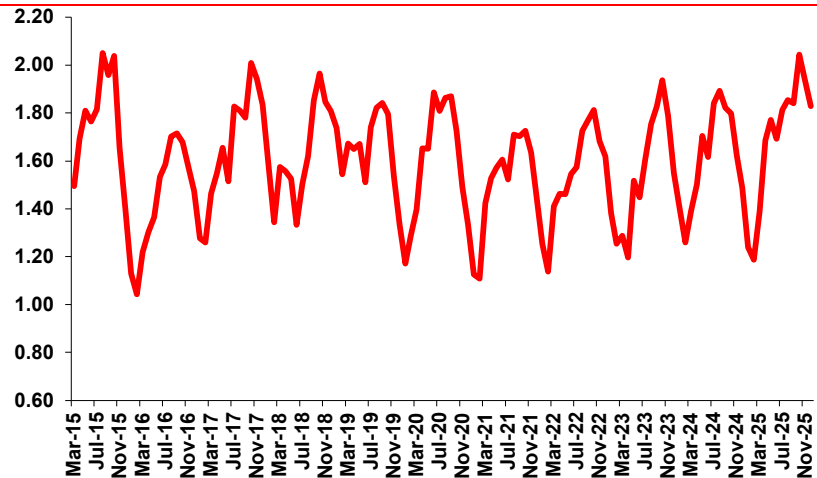
**Genting Plantations**  
TP: RM6.07  
Rec: BUY  
Upside/Downside: +19.7%

**Kim Loong**  
TP: RM2.91  
Rec: BUY  
Upside/Downside: +19.3%

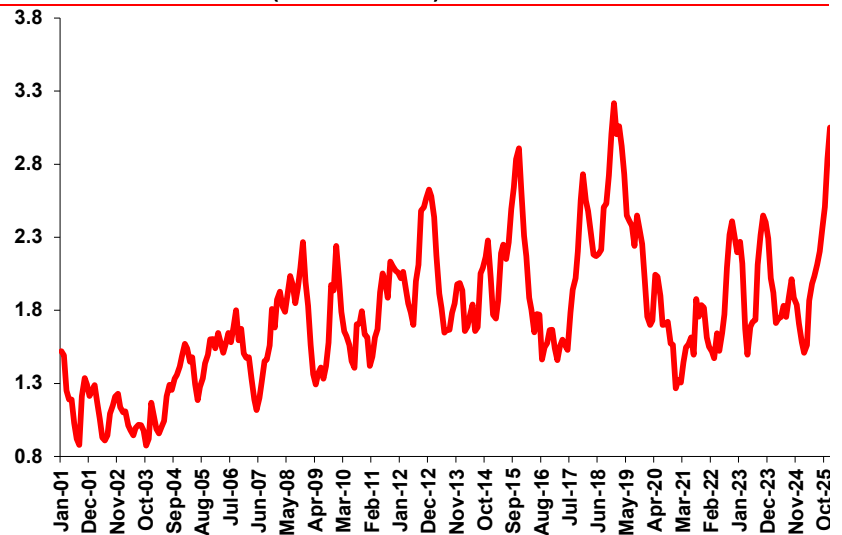
**IOI Corp**  
TP: RM4.12  
Rec: HOLD  
Upside/Downside: +0.7%

**KL Kepong**  
TP: RM20.80  
Rec: HOLD  
Upside/Downside: +2.7%

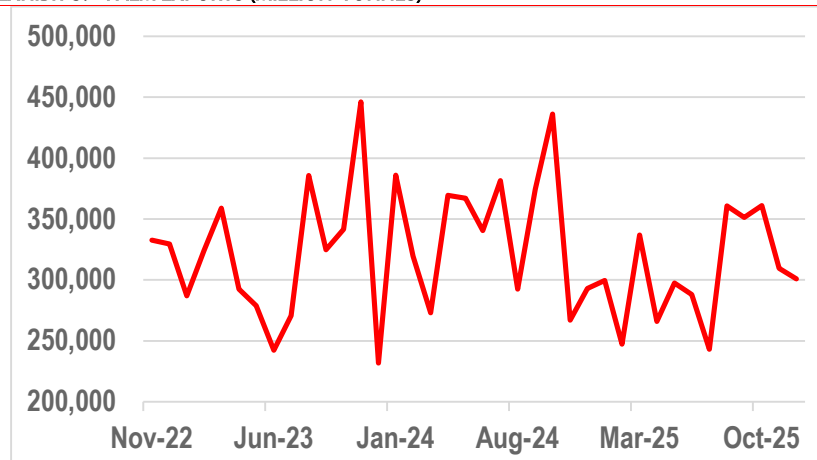
**TSH Resources**  
TP: RM1.33  
Rec: HOLD  
Upside/Downside: +3.1%

**EXHIBIT 1. CPO PRODUCTION**

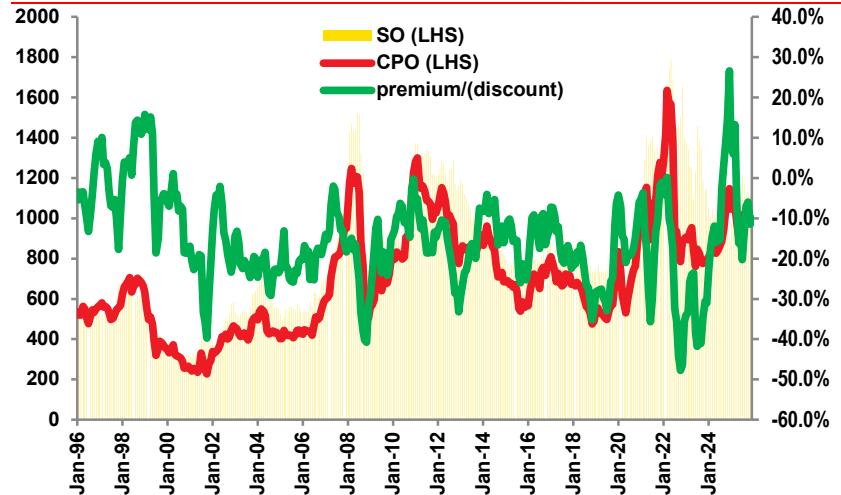
Source: MPOB

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

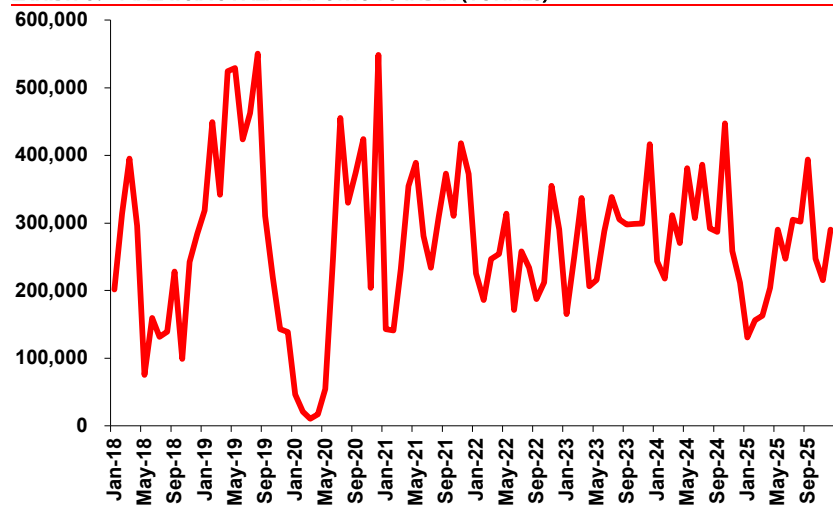
Source: MPOB

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

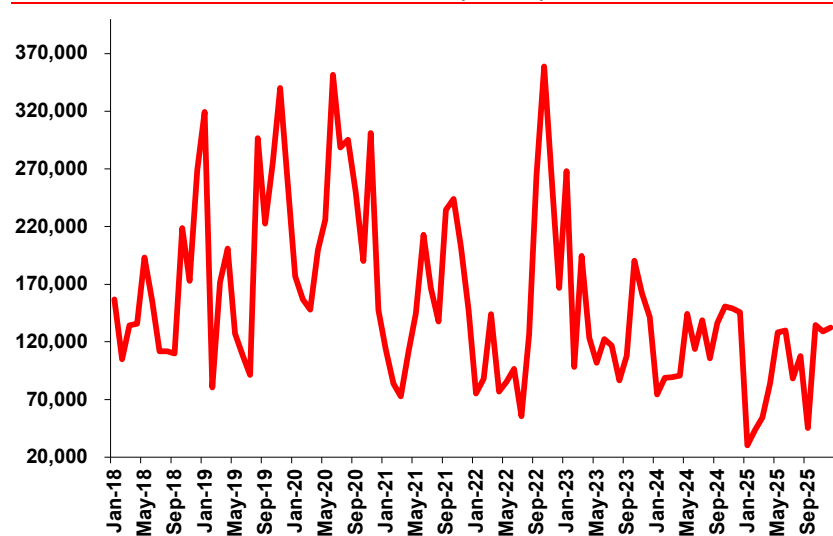
Source: MPOB

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

Source: MPOB, Bloomberg

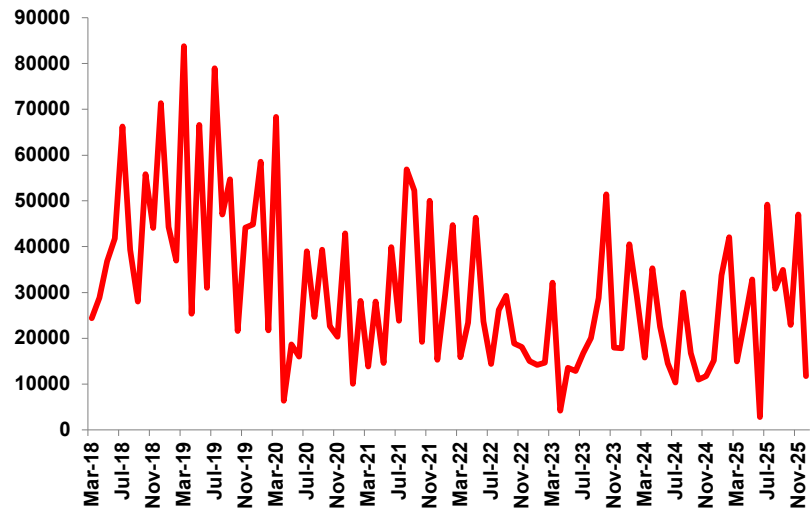
**EXHIBIT 5. MALAYSIA'S PALM EXPORTS TO INDIA (TONNES)**

Source: MPOB, Interlek

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

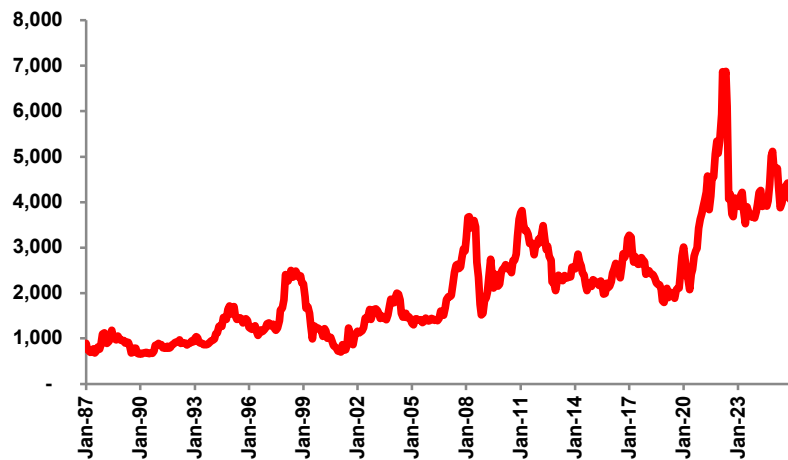
Source: MPOB, Interlek

EXHIBIT 7. BIODIESEL EXPORTS (TONNES)



Source: MPOB

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



Source: MPOB

## VALUATION MATRIX

| Stock             | Call | Share price<br>RM/share | Market cap<br>RMmil | Target price<br>RM/share | EPS   |       | PE    |       |
|-------------------|------|-------------------------|---------------------|--------------------------|-------|-------|-------|-------|
|                   |      |                         |                     |                          | (sen) | (sen) | (x)   | (x)   |
|                   |      |                         |                     |                          | FY26F | FY27F | FY26F | FY27F |
| IOI Corp          | Hold | 4.09                    | 25,373.1            | 4.12                     | 24.0  | 26.2  | 17.0  | 15.6  |
| KLK               | Hold | 20.26                   | 22,563.6            | 20.80                    | 117.7 | 134.5 | 17.2  | 15.1  |
| SD Guthrie        | Buy  | 5.91                    | 40,871.8            | 6.20                     | 34.4  | 36.0  | 17.2  | 16.4  |
| Gent Plant        | Buy  | 5.07                    | 4,548.8             | 6.07                     | 40.5  | 41.0  | 12.5  | 12.4  |
| Johor Plantations | Buy  | 1.65                    | 4,125.0             | 2.00                     | 13.2  | 13.3  | 12.5  | 12.4  |
| TSH Resources     | Hold | 1.25                    | 1,725.3             | 1.33                     | 11.1  | 11.7  | 11.3  | 10.7  |
| Kim Loong         | Buy  | 2.44                    | 2,396.3             | 2.91                     | 18.2  | 18.8  | 13.4  | 13.0  |

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