

### SECTOR UPDATE

## Plantation – Malaysia

Feb 25: End Stock Remains Low Due To Lower Output

**MPOB's Feb 25 data reported a lower end stock due to weaker production, exports as well as imports. CPO prices in the immediate term remain supported by market tightness, but the seasonal production ramp-up, favourable soybean supply outlook and shifting demand towards cheaper soybean oil may exert downward pressure on prices subsequently. Our BUY recommendations are Hap Seng Plantations (HAPL MK/BUY) and SD Guthrie (SDG MK/BUY). Maintain MARKET WEIGHT on the sector.**

### MPOB'S FEB 25 STATISTICS

(m tonne)	Feb-24	Jan-25	Feb-25	Mom % chg	Yoy % chg	2M25	Yoy % chg
CPO Production	1.26	1.24	1.19	(4.2)	(5.7)	1.24	(53.4)
Palm Oil Domestic Use	0.37	0.26	0.32	23.6	(12.7)	0.58	(19.4)
Palm Oil Exports	1.02	1.20	1.00	(16.3)	(2.2)	0.58	(19.4)
<i>Oleochemical</i>	0.26	0.23	0.20	(14.4)	(22.3)	0.43	(15.4)
<i>Biodiesel</i>	0.03	0.03	0.04	24.4	43.1	0.08	8.5
Palm Oil Imports	0.03	0.09	0.07	(24.5)	105.1	0.16	150.2
Palm Oil Stocks	1.92	1.58	1.51	(4.3)	(21.2)	1.51	(21.2)
CPO Price (RM/tonne)	3,949.50	4672.5	4759.0	1.9	20.5	4715.8	22.0

Source: MPOB, UOB Kay Hian

### WHAT'S NEW

- **MPOB's Feb 25 data.** End stock came in lower mom due to lower production, exports as well as imports. Key highlights from the MPOB's Feb 25 data are as follows:
  - Production** came in at 1.19m tonnes (-4.2% qoq, -5.7% yoy) which is slightly above market expectation. The mom decline in production was due to seasonal effects on the production cycle, fewer working days and the impact of flooding, which affected output.
  - Exports** in Feb 25 came in lower than market expectations, decreasing to 1m tonnes (-16.3% qoq, -2.2% yoy). We noted that exports to India and China showed mom improvement but remained lower yoy compared with 2024. In addition, biodiesel exports showed a mom increase due to improved exports to Europe and Asia-Oceania, according to cargo surveyors.
  - End stock** declined to 1.51m tonnes (-4.3% qoq, -21.2% yoy) which is slightly above market expectations. Although production, exports, and imports recorded a mom decline, there was a slight improvement in domestic use, which we believe was driven by the festive season (Ramadan).

### ACTION

- **Maintain MARKET WEIGHT.** We anticipate that CPO prices will remain supportive at the current level in the short term, driven by the supply tightness in the market. However, favourable soybean supply and a shift in demand from palm oil to more attractively priced soybean oil from key markets, alongside the seasonal ramp-up in CPO production, could potentially begin to exert downward pressure on prices in the coming months.
- Our BUY recommendations are **Hap Seng Plantations (HAPL MK/BUY)** and **SD Guthrie (SDG MK/BUY)**. We continue to like these companies for their upstream business, favourable production trends, and high dividend yields.

### PEER COMPARISON

Company	Ticker	Rec	Price @ 10 Mar 25 (RM)	Target Price (RM)	Market Cap (US\$m)	PE			ROE	P/B	2025F Div (sen)	Div Yield (%)
						2024 (x)	2025F (x)	2026F (x)	(%)	(x)		
Hap Seng Plantations	HAPL MK	BUY	2.03	2.35	367.1	7.9	9.5	13.0	10.1	0.8	12.8	6.3
SD Guthrie	SDG MK	BUY	4.8	5.55	7507.2	21.3	18.8	23.0	10.6	1.6	16.4	3.4
Genting Plantations	GENP MK	HOLD	5.47	6.08	1109.8	15.2	15.3	18.2	6.1	0.9	17.9	3.3
IOI Corporation	IOI MK	HOLD	3.71	3.8	5205.1	21.8	16.7	17.3	9.6	1.9	11.6	3.1
KL Kepong	KLK MK	HOLD	20.46	22.2	5153.0	19.4	15.7	16.3	4.2	1.6	65.3	3.2
Kim Loong	KIML MK	HOLD	2.29	2.3	507.2	15.3	11.9	8.9	17.4	2.5	16.3	7.1
Sarawak Oil Palms	SOP MK	HOLD	3.07	3.7	620.4	6.1	5.8	7.0	12.2	0.7	10.6	3.4

Source: Respective companies, Bloomberg, UOB Kay Hian

## MARKET WEIGHT

(Maintained)

### STOCK PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	2.05	2.35
SD Guthrie	BUY	4.85	5.55

Source: UOB Kay Hian

### CPO PRICE ASSUMPTIONS (RM/TONNE)

	CPO Price (RM/tonne)
2020	2,686
2021	4,408
2022	5,088
2023	3,810
2024	4,180
<u>Our forecast:</u>	
2025F	4,500
<u>CPO Price:</u>	
MPOB @ 7 Mar 25	4,812.5
BMD 3 <sup>rd</sup> Month Contract	4,607

Source: MPOB, Bloomberg, UOB Kay Hian

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ESSENTIALS

• Mar 25 outlook:

- a) **Production to begin ramping up.** Production tends to pick up at the beginning of March and progressively over the next few months. However, output for Mar 25 may be slightly impacted as it coincides with the Ramadan period.
- b) **Exports seen increasing mom.** Exports in Mar 25 may pick up vs Feb 25 given increased supply availability as well as consumption demand ahead of the Eid Fitr festive period. This however may be partly offset by palm's prevailing price premiums which are inducing buyers to switch towards other vegetable oils.
- c) **Inventory may remain range-bound.** We believe inventory may hold around 1.5m tonnes or increase slightly mom, with the expected rise in production to be absorbed by higher exports mom.

• **India's palm oil imports remain subdued.** In Jan 25, palm imports fell 46% mom to 272,000 tonnes as buyers shifted to other vegetable oils. Soybean oil imports rose 4% to 438,000 tonnes, while sunflower oil increased 9.5% to 290,000 tonnes. Palm oil rebounded 36% mom in Feb 25 but remained 24% lower yoy. The price premium of palm oil is likely to limit Indian palm oil imports in the near term. Oil World forecasts palm oil prices to weaken or seed oil prices could rise. For Mar–Sep 25, imports are projected at 5.3m–5.4m tonnes, but total imports over Oct 24–Sep 25 may decline to 8.4m tonnes (-7.5% yoy), still lower yoy.

• **La Nina to transition to neutral, boosting soybean prospects.** La Niña conditions are expected to persist in the near term (Feb-Apr 25) but are likely to transition to ENSO-neutral between Mar-May 25, with a 66% probability, according to the Climate Prediction Center (NOAA). Meanwhile, the probability of El Niño developing in 2H25 is low, which should result in less weather disruptions on the next soybean planting season.

ASSUMPTION

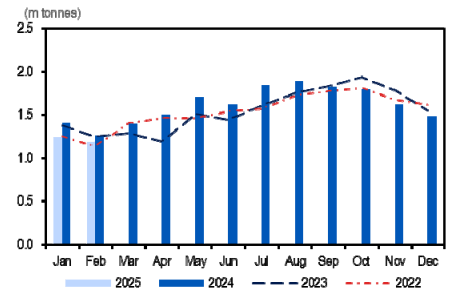
• **Maintain 2025 CPO price assumption at RM4,500/tonne.** In Feb 25, the CPO spot price averaged RM4,715.8/tonne (+22% yoy), supported by MPOB data, which indicated a lower-than-expected inventory build-up and slower production growth. This, combined with tight supply factors from heavy rainfall that affected harvest delays and Indonesia's ongoing B40 programme rollout, should continue to provide support for CPO prices in the near term.

FEB 25 CPO PRODUCTION BY REGION AND STATES

(m tonnes)	Feb-24	Jan-25	Feb-25	Mom % chg	Yoy % chg	2M25	Yoy % chg
Johor	0.21	0.20	0.19	(4.3)	(6.4)	0.39	(7.0)
Pahang	0.20	0.18	0.17	(8.2)	(15.3)	0.35	(12.9)
Perak	0.13	0.12	0.14	12.7	3.5	0.26	(5.5)
Negeri Sembilan	0.05	0.04	0.04	4.8	(13.7)	0.08	(19.8)
Selangor	0.03	0.04	0.04	16.3	19.9	0.08	7.5
Terengganu	0.02	0.02	0.02	(8.3)	(17.3)	0.04	(22.1)
Kelantan	0.02	0.02	0.01	(23.8)	(36.1)	0.03	(28.6)
Kedah	0.02	0.02	0.02	27.5	5.4	0.03	(8.5)
Other States	0.01	0.01	0.01	15.2	(10.5)	0.02	(21.6)
Pen Malaysia	0.69	0.64	0.64	(0.2)	(7.3)	1.29	(10.1)
Sabah	0.29	0.30	0.26	(13.5)	(11.5)	0.55	(12.2)
Sarawak	0.28	0.30	0.29	(3.5)	4.6	0.59	(2.0)
East Malaysia	0.57	0.60	0.55	(8.5)	(3.6)	1.14	(7.3)

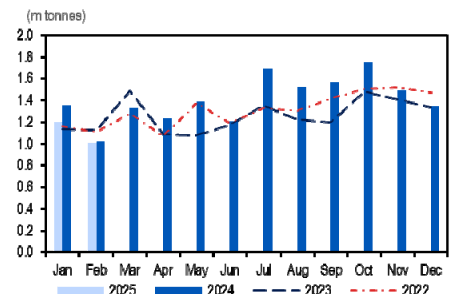
Source: MPOB

MALAYSIA PALM OIL PRODUCTION



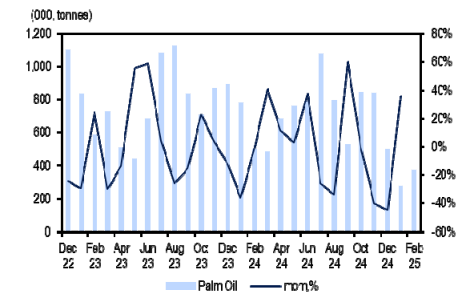
Source: MPOB

MALAYSIA PALM OIL EXPORTS



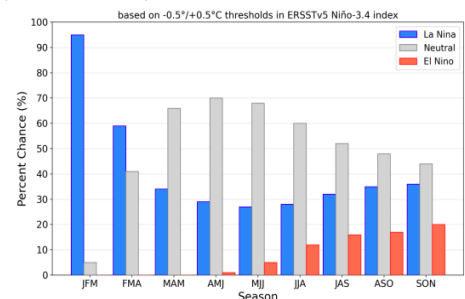
Source: MPOB

INDIA MONTHLY PALM OIL IMPORTS



Source: MPOB

OFFICIAL NOAA CPC ENSO PROBABILITIES (ISSUED FEB 25)



Source: CPC

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