

SECTOR UPDATE

Plantation – Malaysia

Production Starts To Pick Up In Mar 25

MPOB's Mar 25 data reported a recovery in production, but end stock came in lower due to higher domestic usage while exports remained flat. On the other hand, companies' production trend remains the key focus ahead of the peak season whereas geopolitical tension due to the US tariffs could pose risks to the sector, although we see limited direct impact. Our BUY recommendations are Hap Seng Plantations (HAPL MK/BUY) and SD Guthrie (SDG MK/BUY). Maintain MARKET WEIGHT.

MPOB'S MAR 25 STATISTICS

(m tonne)	Mar 24	Feb 25	Mar 25	mom % chg	yoy % chg	3M25	yoy % chg
CPO Production	1.39	1.19	1.39	16.8	(0.4)	3.81	(5.9)
Palm Oil Domestic Use	0.29	0.33	0.45	36.9	52.8	1.06	4.5
Palm Oil Exports	1.33	1.00	1.01	0.9	(24.2)	1.06	4.5
<i>Oleochemical</i>	0.26	0.20	0.21	5.6	(20.0)	0.64	(16.9)
<i>Biodiesel</i>	0.02	0.04	0.01	(64.5)	(5.5)	0.09	5.9
Palm Oil Imports	0.02	0.07	0.12	82.5	456.7	0.28	230.2
Palm Oil Stocks	1.71	1.51	1.56	3.5	(8.8)	1.56	(8.8)
CPO Price (RM/tonne)	4,215.50	4,759.0	4,740.0	(0.4)	12.4	4,723.8	18.6

Source: MPOB, UOB Kay Hian

WHAT'S NEW

• **MPOB's Mar 25 data.** Production showed a recovery in Mar 25, increasing mom but remaining flat yoy. Despite this, end stocks declined driven by higher domestic usage while exports were flat. Key highlights from the MPOB's Feb 25 data are as follows:

- Production** totalled 1.39m tonnes (+16.8% mom, -0.4% yoy) which is slightly above market expectation. Both regions, Peninsular and East Malaysia, showed an improvement in production growth, up by 18.8% mom and 14.4% mom. We noted that Pahang, Johor, and Perak recorded higher output, while Sabah and Sarawak posted double-digit growth in Mar 25 production.
- Exports** in Mar 25 came in slightly lower than market expectation of 1.01m tonnes (+0.9% mom, -24.2% yoy). Both key markets, India and China showed mom improvement but remained lower yoy compared with 2024 according to Intertek cargo surveyors.
- End stocks** amounted to 1.56m tonnes (+3.5% mom, -8.8% yoy). Despite the higher mom production in Mar 25, we noted that domestic usage also surged to 450,471 tonnes (+36.9% mom). This was driven by several factors, including higher consumption during the festive season (from Ramadan to Hari Raya), leakages to other countries in the northern and southern regions and higher palm oil mill effluent (POME) exports from Malaysia due to the ban on Indonesia's POME exports, among other factors contributing to the decline in end stocks.

ACTION

• **Maintain MARKET WEIGHT.** We make no changes to our earnings estimates and CPO price assumptions of RM4,500/tonne. Our BUY recommendations are Hap Seng Plantations (HAPL MK/BUY) and SD Guthrie (SDG MK/BUY). We like these companies for their upstream exposure while expecting favourable production growth in 2025.

PEER COMPARISON

Company	Ticker	Rec	Price @ 10 Apr 25 (RM)	Target Price (RM)	Market Cap (US\$m)	PE			ROE (%)	P/B (x)	2025F Div (sen)	Div Yield (%)
						2024 (x)	2025F (x)	2026F (x)				
Hap Seng Plantations	HAPL MK	BUY	1.97	2.35	327.4	7.7	9.2	12.6	10.1	0.7	12.8	6.5
SD Guthrie	SDG MK	BUY	4.84	5.55	7054.5	21.5	19.0	23.2	10.6	1.5	16.4	3.4
Genting Plantations	GENP MK	HOLD	5.22	6.08	1011.5	14.5	14.6	17.4	6.1	0.9	17.9	3.4
IOI Corporation	IOI MK	HOLD	3.7	3.8	4982.1	21.7	16.6	17.3	9.6	1.9	11.6	3.1
KL Kepong	KLK MK	HOLD	21.16	20.0	4833.0	20.1	16.8	16.8	4.2	1.5	58.9	2.8
Kim Loong	KIML MK	HOLD	2.27	2.3	482.8	15.1	11.8	8.9	18.5	2.4	16.3	7.2
Sarawak Oil Palms	SOP MK	HOLD	3.01	3.7	573.7	6.0	5.7	6.9	12.2	0.7	10.6	3.5

Source: Respective companies, Bloomberg, UOB Kay Hian

MARKET WEIGHT (Maintained)

STOCK PICKS

Company	Rec	Share Price (RM)	Target Price (RM)
Hap Seng Plantations	BUY	1.97	2.35
SD Guthrie	BUY	4.84	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 @ 9 Apr 25	4,500
BMD 3 rd Month Contract	4,205

Source: MPOB, Bloomberg, UOB Kay Hian

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ESSENTIALS

• Apr 25 outlook:

- a) **Production to continue rising.** April's output is expected to increase mom progressing into the peak production season. That said, the pick-up rate would likely be partially affected by reduced workforce availability in the first half of the month amid the festive Raya period, before reaccelerating in the latter part of the month as more harvesters return to the estates.
 - b) **Exports seen picking up mom.** This is expected to be supported by improved supply availability and easing CPO prices in addition to narrowing palm oil price premiums against other vegoils including soybean oil. Early export surveys conducted by Intertek and AmSpec over 1-10 April indicated a sharp sequential pick up in export volumes (+29% to +53% mom).
 - c) **End-stocks may increase slightly.** Inventory levels are expected to increase slightly or remain flattish mom, with April's higher-than-expected production output likely to be accompanied by higher export volumes as well, while domestic consumption may ease slightly after the Raya festive period.
- **Production trend remains key focus ahead of peak season.** For the upcoming 1Q25 reporting season, Malaysian planters' production trend would likely remain in focus, with Mar 25 production data showing a recovery in output. On a yoy basis, companies under our coverage continued to record overall production declines in Feb 25, excluding Kuala Lumpur Kepong, SD Guthrie and Sarawak Oil Palms which began to report positive yoy FFB production growth. With more favourable weather conditions and improving estate operations, we expect the production trend to strengthen further as the sector heads into the peak production season.

• **Improved weather outlook to support favourable production.** Neutral El Nino-Southern Oscillation conditions are expected to persist through mid-25, signalling improved weather patterns that support a favourable planting season. In Malaysia, several flood-affected states including Johor, Pahang, Sabah, and Sarawak have shown signs of recovery. Moving forward, weather conditions are expected to remain favourable, typically supporting a pickup in production starting from 2Q.

• Key risks:

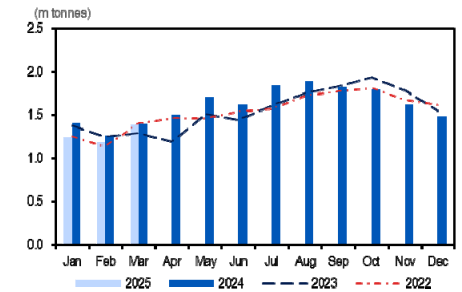
- a) **Lower-than-expected ASPs.** Our CPO price forecast of RM4,500/tonne is higher than market forecast of RM4,100-4,300/tonne for 2025. The US' latest set of import tariffs, in addition to possible retaliatory trade policies imposed in other key markets, may continue to influence CPO's price competitiveness vs competing vegoils as well as fossil fuels in the context of biofuel production.
- b) **FFB production.** Risks to output growth for Malaysian planters may be tilted to the downside based on ytd production data.
- c) **Downstream margins.** Visibility on downstream profitability remains cloudy for vertically integrated planters, amid continued fluctuations in commodity and forex prices as well as uncertainties regarding external trade policies and the broader macro backdrop.

MAR 25 CPO PRODUCTION BY REGION AND STATE

(m tonnes)	Mar 24	Feb 25	Mar 25	mom % chg	yoy % chg	3M25	yoy % chg
Johor	0.23	0.19	0.21	8.0	(9.8)	0.60	(8.0)
Pahang	0.23	0.17	0.22	29.7	(5.3)	0.57	(10.2)
Perak	0.15	0.14	0.16	16.6	6.0	0.41	(1.4)
Negeri Sembilan	0.05	0.04	0.05	26.3	0.5	0.13	(12.9)
Selangor	0.04	0.04	0.05	16.0	7.7	0.12	7.6
Terengganu	0.03	0.02	0.02	25.3	(15.7)	0.07	(19.8)
Kelantan	0.03	0.01	0.02	52.1	(18.9)	0.05	(25.0)
Kedah	0.02	0.02	0.02	6.0	(2.1)	0.06	(6.2)
Other States	0.02	0.01	0.02	18.9	(9.5)	0.04	(17.3)
Pen Malaysia	0.80	0.64	0.76	18.8	(4.2)	2.05	(8.0)
Sabah	0.32	0.26	0.30	18.5	(5.0)	0.86	(9.8)
Sarawak	0.25	0.29	0.32	10.7	28.9	0.91	7.0
East Malaysia	0.57	0.55	0.62	14.4	9.8	1.76	(1.9)

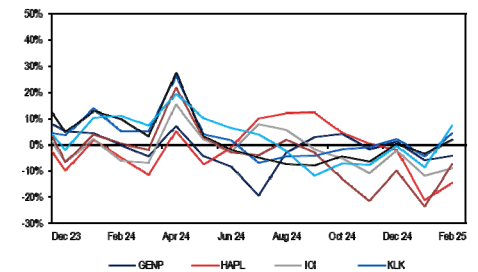
Source: MPOB

MALAYSIA PALM OIL PRODUCTION



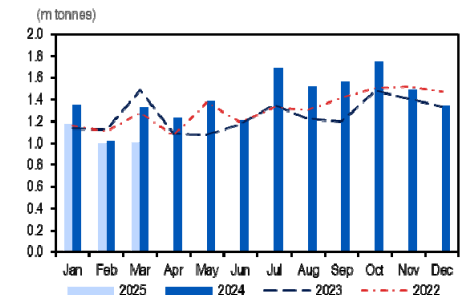
Source: MPOB

COMPANIES MONTHLY PRODUCTION TREND YOY



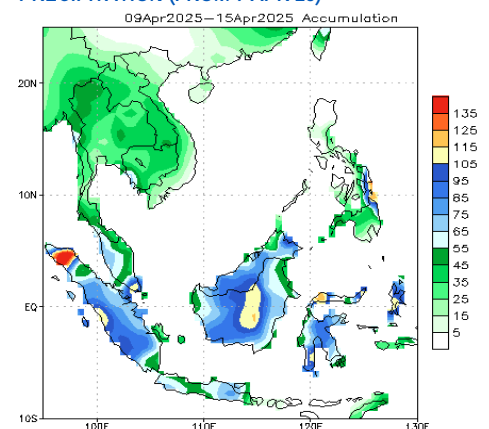
Source: Bursa Malaysia

MALAYSIA PALM OIL EXPORTS



Source: MPOB

NCEP GFS ESEMBLE FORECAST 1-7 DAY PRECIPITATION (FROM 9 APR 25)



Source: CPC

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