Plantation

May Stats.

Neutral (Maintain)

HIGHLIGHTS

- CPO prices fell in tandem with abundant stocks pile
- CPO output grew in line with seasonally productive months
- Exports volume flattish despite wider premium discount between SBO and PO
- Maintain **NEUTRAL** with average CPO Price target of RM4,300/Mt for CY25

SECTOR RECAP

CPO Price flattish by -0.6%mom. The local CPO price delivery ended the month at RM3,855/Mt with an average price of RM3,881/Mt (-10.2%mom, -0.6%yoy) on higher ending stocks as concerns over limited supply risks dissipated. Prices were firmer at the beginning of the month, reaching a high of RM3,968/Mt, but moderated by -2.8% to RM3,855/Mt towards the end as the market have fully assessed the prospect of extensive supply. Moving ahead, we anticipate that the CPO prices will remain stablise, hovering within the range of RM3,900–4,200/Mt. This is typically in line with seasonal production trends, as the pollination period ends in March and PO output is expected to recover - potentially leading to an increase in closing stock levels.

CPO production reaches 7-month high. CPO output in May-25 grew to 1.77m tonne (+5.1%mom, +3.9%yoy) versus prior year, supported by robust growth from the eastern estates, particularly in Sarawak (+6.4%yoy) and Sabah (+13.0%yoy). The FFB received by mills inched to 9.05m tonne (+1.3%yoy) well supported by a decent average yield of 1.48 tonne /ha, inline with the onset of the seasonally fruitful months. Additionally, the average OER in the mills improved to 19.89%, driven by better set of crops across most estates. Favourable weather conditions have allowed quicker FFB evacuation activity, bringing the fruitlets with higher oil content.

Looking ahead, with the end of the inter-monsoon and pollination periods, drier weather and a faster recovery in FFB evacuation activities expected from May onwards, this allows estate productivity to gain momentum - particularly in terms of harvesting and manuring activities. Note that, local CPO production is projected to reach 19.5m Mt in CY25F (+1.0%yoy), with the bulk of the recovery anticipated to materialise in 2H25, driven by improved set of crops and estate efficiencies.

Abundant stock levels. Ending stockpiles surged to 1.99m tonne (+6.6%mom, +13.5%

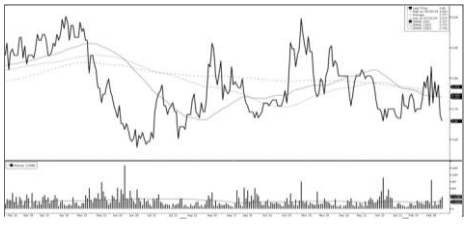
COMPANY *IN FOCUS*

IOI Corp.

Maintain BUY | Target Price: RM4.42
Price @ 10 June 2025: RM3.59

- Production growth c. +5% supported by strong FFB yield of 19.5tonne/ha and OER 22%
- Lowest cost of production among its peers c. RM2,400-2,600 / Mt

SHARE PRICE CHART



Abbreviation.

FFB: Fresh Fruit bunches
CPO: Crude Palm Oil
SBO: Soybean Oil
PKO: Palm Kernel Oil
ASP: Average Selling Price
OER: Oil Extraction rate

MET Malaysia: Meteorology Malaysia
EL- Niño: Warm and dry weather
La-Niña: Cold and wet weather

yoy), in tandem with higher production and flattish exports numbers recorded at 1.39m Mt (+0.2%yoy). PO remained flat at 1.39m Mt, despites a widening price premium against SBO. This raises concern, as it suggests that underlying demand has effectively stagnated. Notably, the price spread between the SBO and PO was relatively wide in May and April - approximately around USD248/Mt and USD125/Mt, respectively - yet demand remained subdued, indicating that the attractive price differential failed to stimulate additional buying interest. With the current elevated CPO price traded, this also indicates feedstock costs for most of the refinery hinged on the high side, resulting softer exports volume of Oleo (-9.7%yoy) and other products (-33.6yoy). While PKO sales volume rebounded to about 119,182 tonnes (+20.7%mom, +35.7%yoy), following depleted in coconut output and increase in cocoa butter substitutes within the lauric segment.

Exports volume weaker despite wider premium discount against SBO

We opine sector's top-line to continue uptick in 1HQCY25 in-line with higher average CPO price assumptions. However, margins are likely to remain under pressure due to the persistent elevated cost of production, caused by higher locked in fertiliser costs of 2HCY24, coupled with elevated external FFB purchase expenses amid low mills utilisation rates. We are maintaining **NEUTRAL** call at this juncture, while CPO prices are expected to remain under pressure, production is likely to perform, leading to a ceteris paribus performance for CY25. Therefore, we foresee only a handful of players likely to benefit from elevated CPO prices. Hence, we recommend avoiding smaller players with significant exposure to external FFB purchases, as the aforementioned factors could risk their CPO production, particularly during the current biological tree rest environment. Instead, we suggest focusing on larger players like **IOI Corp (BUY, TP: RM4.42)**, **SD Guthrie (BUY, TP: RM5.43)**, and **GENP (BUY, TP: RM6.26)**, whose CPO procurement (>50%) from their own estates offers more stability in realizing CPO prices.

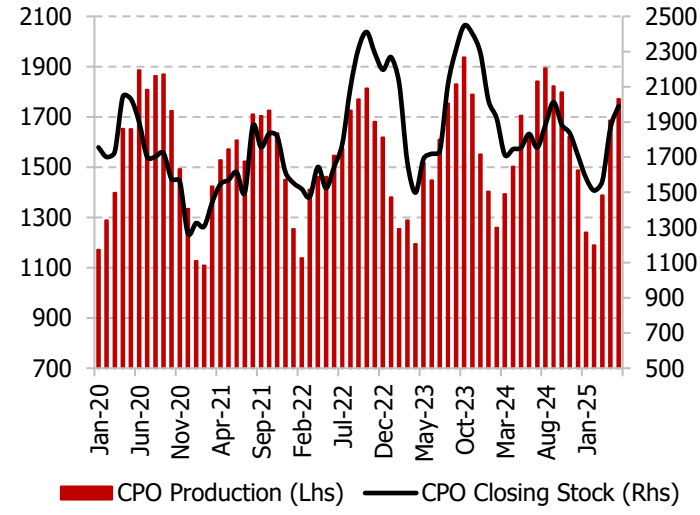
Maintain NEUTRAL as cost of production remains sticky on the back higher locked fertiliser costs.

Table 1: Malaysia Palm Oil Statistics for May 2025 ('000 MT)

	May-24	Apr -25	May-25	MoM%	YoY%	5M24	5M25	YoY%
Opening Stocks	1.74	1.56	1.87	19.4%	6.9%	2.29	1.71	-25.4%
Production	**1.70**	**1.69**	**1.77**	**5.1%**	**3.9%**	**7.26**	**7.27**	**0.2%**
Imports	0.02	0.06	0.07	18.3%	>100%	0.14	0.40	>100%
Total Supply	**3.47**	**3.31**	**3.71**	**12.1%**	**6.8%**	**9.7**	**9.4**	**-3.2%**
Exports	1.39	1.10	1.39	25.6%	0.2%	6.32	5.67	-10.4%
Dom Disapp	0.33	0.34	0.33	-2.3%	-0.6%	1.61	1.73	7.0%
Total Demand	**1.72**	**1.44**	**1.72**	**19.1%**	**0.0%**	**7.94**	**7.39**	**-6.8%**
End Stocks	**1.75**	**1.87**	**1.99**	**6.6%**	**13.5%**	**1.75**	**1.99**	**13.5%**
Stock/Usage Ratio	8.5%	10.8%	9.7%	-	-	1.8%	2.2%	-

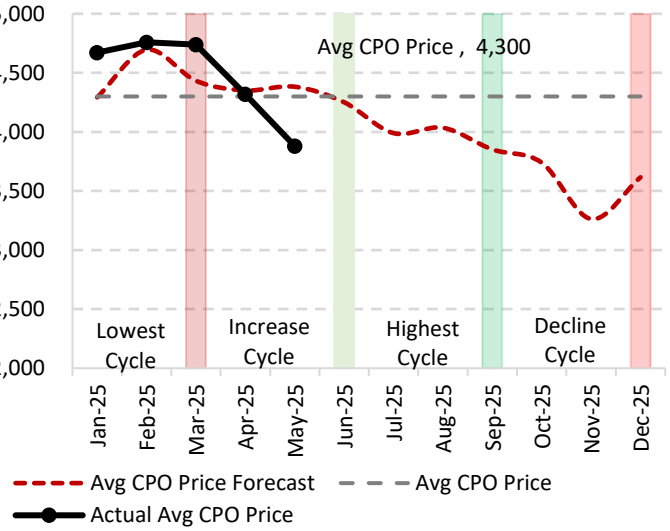
Source: MPOB, MIDFR

Chart 1: Malaysia PO Production VS Closing Stock



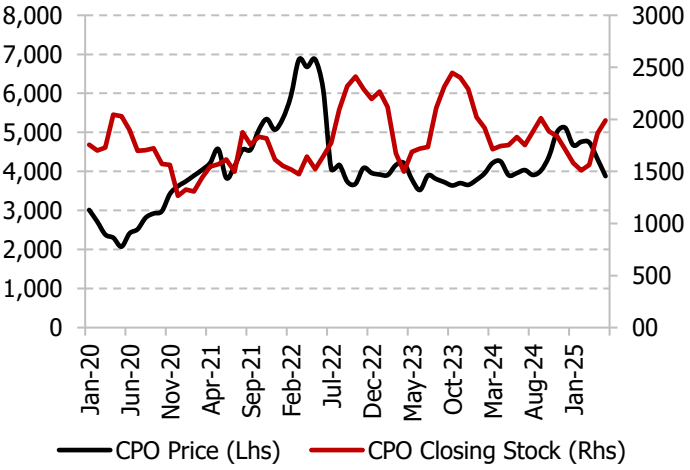
Source: MPOB, MIDFR

Chart 2: CPO Price Movement Forecast VS Actual



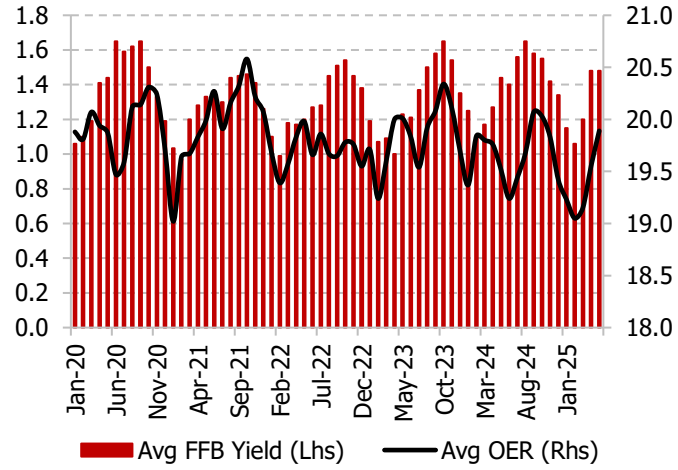
Source: MPOB, MIDFR

Chart 3: PO Closing stock VS CPO Price



Source: MPOB, MIDFR

Chart 4: Average FFB Yield VS OER



Source: MPOB, MIDFR

Table 2: PEER COMPARISON

Company	Rating	Price (RM)	TP (RM)	PER (x)		Core EPS (Sen)		Dividend Yield (%)	
				FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
IOI Corp	BUY	3.59	4.42	19.1	17.5	18.8	20.5	2.4%	2.4%
SD Guthrie	BUY	4.52	5.43	18.3	17.5	24.7	25.9	3.3%	3.3%
Genting Plant.	BUY	4.90	6.26	12.5	11.7	39.1	42.0	5.1%	4.3%
KLK	NEUTRAL	19.96	20.00	20.0	19.6	100.0	101.7	2.9%	3.0%
PPB	NEUTRAL	11.06	10.61	12.5	12.1	88.4	91.6	3.2%	3.2%
Sarawak Plant.	NEUTRAL	2.46	2.29	9.1	10.3	27.0	24.0	6.1%	4.1%
FGV Holdings	NEUTRAL	1.30	1.30	17.1	14.3	7.6	9.1	3.8%	3.8%
Ta Ann	NEUTRAL	3.91	3.98	9.3	9.8	41.9	39.8	9.0%	6.4%
TSH Resources	NEUTRAL	1.08	1.16	12.0	13.5	9.0	8.0	2.3%	2.3%
Weighted Avg.				**14.4**	**14.6**	**39.6**	**40.3**	**4.2%**	**3.6%**

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology