Plantation

NEUTRAL (Maintain)

July Statistics

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HIGHLIGHTS

- CPO prices flat in tandem with abundant stocks pile
- CPO Production levels reach 10-month high
- Exports volume flattish despite wider premium discount between SBO and PO
- Maintain **NEUTRAL** with average CPO Price target of RM4,100/Mt for CY25

SECTOR RECAP

CPO Price stabilised by +1.9%yoy. The local CPO price delivery ended the month at RM4,207/Mt with an average price of RM4,113/Mt (+3.6%mom, +1.9%yoy) largely influenced by regulatory risks in Indonesia, which raised concerns over a potential tightening of supply from the world's largest producer. Prices were softer at the start of the month, hitting a low of RM3,955/Mt, before strengthening by -6.4% to RM4,207/Mt toward month-end, as the market gradually priced in the prospect of supply constraints.

Looking ahead to Aug, we anticipate that the average CPO price to ease to about RM4,035/Mt (-1.9%mom, +3.2%yoy) amid expectations of higher production, which could lead to elevated closing stock levels and exert downward pressure on price premiums.

Production levels reach 10-month high. CPO output hit a 10-month high, reaching 1.81m tonnes (+7.1%mom, -1.6%yoy) versus prior year, driven by stronger production from peninsular estates, especially Kelantan (+29.9%yoy), Perak (+4.8%yoy) and Pahang (+2.0%yoy). The FFB yield improved to 9.36 (+2.0%yoy), although total FFB delivered to mills fell to 9.29m tonne (-2.5%yoy). The higher yield likely reflects an increase in harvestable area, while the decline in mill receipts was due to lower productivity in eastern region, where uneven weather disrupted harvesting and delayed crop evacuation. The average OER held steady at 19.82%, underpinned by improved crop quality across most estates, which lifted oil yield to 1.83 tonnes/ha (+2.2%yoy).

With the continuation of Southwest Monsoon months, drier days expected to boost a faster recovery in FFB evacuation activities expected in August onwards, this allows estate productivity to gain momentum - particularly in terms of harvesting and manuring activities.

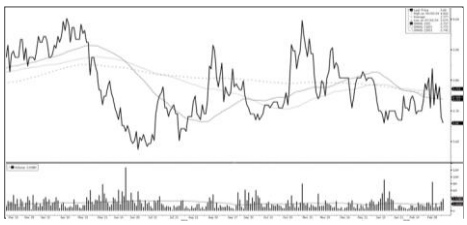
COMPANY *IN FOCUS*

IOI Corp

Maintain BUY | Target Price: RM4.42
Price @ 11th Aug 2025: RM3.78

- 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
- Less downstream earnings volatility

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

Exports volume flattish despite wide premium discount against SBO.

Stock levels reach 19-month high. Ending stockpiles surged to 2.11m tonne (+4.0%mom, +20.4%yoy), as high production was partly offset by weaker exports sales of 1.31m Mt (-22.9%yoy). PO demand eased on monthly basis, despite a widening price premium over SBO in July and June, at approximately USD332/MT and USD243/MT, respectively. In fact, July's discount premium was 55% above the 3-year average of USD214/Mt, yet demand remained muted, suggesting that the favourable price differential failed to spur additional buying interest. Nevertheless, in August, early purchases from key importers such as India are expected to lift export volumes as buyers build stocks ahead of the mid-October Diwali festival.

NEUTRAL sector view maintained as CPO price outlook softens; IOI Corp remains Top Pick.

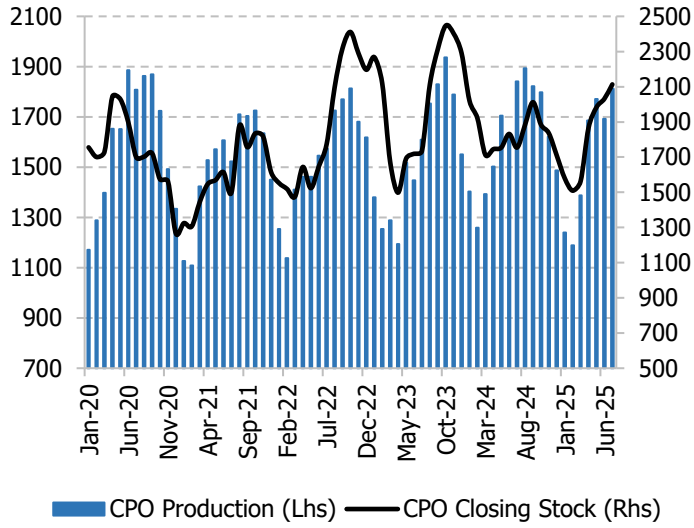
Maintain Neutral. Although the discount spread to SBO is likely to remain competitive in the coming months, supporting PO exports to price-sensitive markets such as India and Pakistan, the premium risk is expected to ease as FFB and CPO output continue to recover amid ample stock levels. Our top pick remains **IOI Corp (BUY, TP: RM4.42)**, given the FFB production growth remain decent at +5%yoy, supported by strong FFB yield of 19.5tonne/ha and OER 22%. Cost of production hinge on the low side c. RM2,400-2,500/Mt. We keep our **NEUTRAL** call for the sector at this juncture with average CPO target price of **RM4,100/Mt** for the whole year.

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

	July-24	June-25	July-25	MoM%	YoY%	7M24	7M25	YoY%
Opening Stocks	1.83	1.98	2.03	2.5%	10.9%	2.29	1.71	-25.4%
Production	**1.84**	**1.69**	**1.81**	**7.1%**	**-1.6%**	**10.72**	**10.78**	**0.6%**
Imports	0.01	0.07	0.06	-12.9%	>100%	0.16	0.53	229.5%
Total Supply	**3.68**	**3.75**	**3.91**	**4.3%**	**6.0%**	**13.2**	**13.0**	**-1.1%**
Exports	1.70	1.26	1.31	3.8%	-22.9%	9.23	8.26	-10.5%
Dom Disapp	0.23	0.45	0.48	6.6%	109.9%	2.18	2.64	21.2%
Total Demand	**1.93**	**1.71**	**1.79**	**4.6%**	**-7.1%**	**11.41**	**10.91**	**-4.4%**
End Stocks	**1.75**	**2.03**	**2.11**	**4.0%**	**20.4%**	**1.75**	**2.11**	**20.4%**

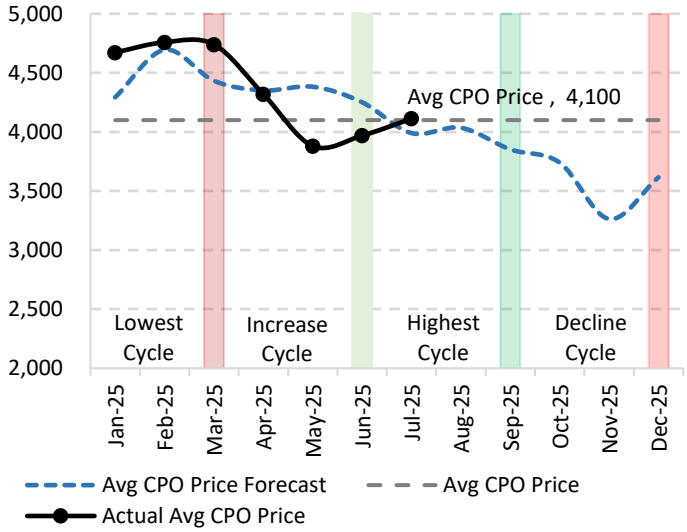
Source: MPOB, MBSBR

Chart 1: Malaysia PO Production VS Closing Stock



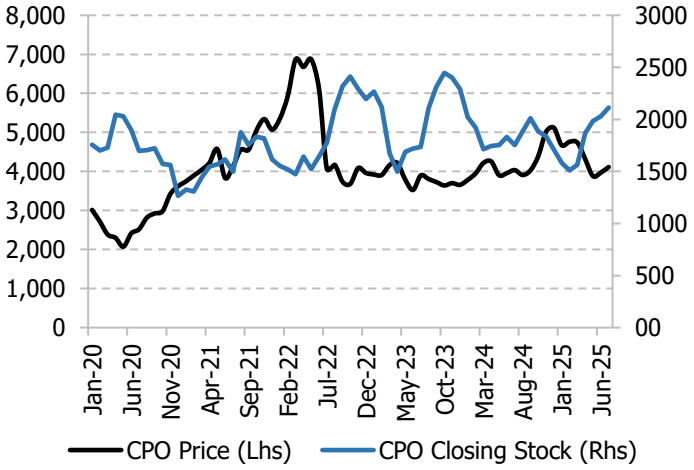
Source: MPOB, MBSBR

Chart 2: Estimated CPO Price Movement VS Actual



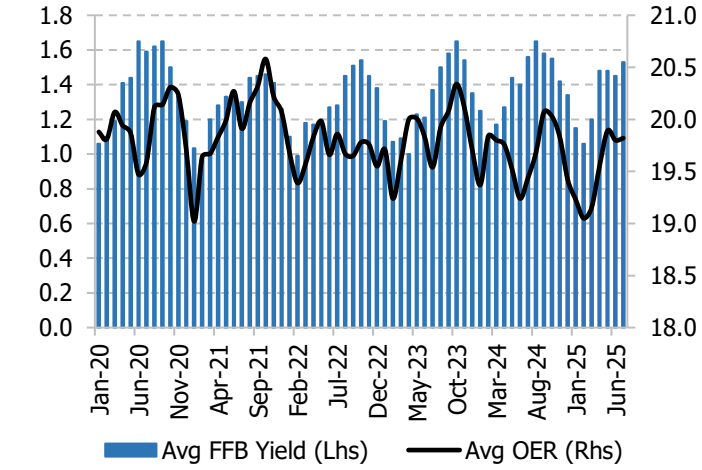
Source: MPOB, MBSBFR

Chart 3: PO Closing stock VS CPO Price



Source: MPOB, MBSBR

Chart 4: Average FFB Yield VS OER



Source: MPOB, MBSBR

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	3.74	4.42	19.9	18.2	18.8	20.5	2.3%	2.3%
SD Guthrie	BUY	4.91	5.43	19.9	19.0	24.7	25.9	3.1%	3.1%
Genting Plant.	BUY	4.92	6.26	12.6	11.7	39.1	42.0	5.1%	4.3%
KLK	NEUTRAL	19.42	20.00	19.4	19.1	100.0	101.7	2.9%	3.0%
PPB	NEUTRAL	9.05	10.61	10.2	9.9	88.4	91.6	3.9%	3.9%
Sarawak Plant.	NEUTRAL	2.59	2.29	9.6	10.8	27.0	24.0	5.8%	3.9%
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	9.1%	6.4%
TSH Resources	NEUTRAL	1.14	1.16	12.7	14.3	9.0	8.0	2.2%	2.2%
Weighted Avg.				14.5	14.1	39.6	40.3	4.2%	3.6%

Source: Bloomberg, MBSBR

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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