Plantation

NEUTRAL (Maintain)

September Statistics

HIGHLIGHTS

- CPO Price averagely at RM4,372/Mt
- CPO Production still growing on-year-on-year basis despite end of productive months
- Ending stock maintained high, due lower export numbers
- Derivative export products fell, following high import duty in India amid stiff competition against coconut oil
- Maintain **NEUTRAL** with average CPO Price target of RM4,100/Mt for CY25

SECTOR RECAP

CPO Price averagely at RM4,372/Mt. The local CPO price delivery ended the month at RM4,282/Mt with an average price of RM4,372/Mt (+1.0%mom, +8.6%yoy) largely influenced by regulatory risks sentiment in Indonesia, which raised concerns over a potential tightening of supply from the world's largest producer. Prices were firmer at the start of the month, hitting a high of RM4,390/Mt, before easing by -2.4% to RM4,282/Mt toward month-end, as the market gradually priced in prospect of easing supply constraints.

Looking ahead to Oct, we anticipate that the average CPO price to marginally up by +2.4% to an average of RM4,495/Mt in the mix of softer production, weaker export performance and higher closing stock levels. The Price premium largely gains by market sentiment related to Indonesia B50 implementation sentiment.

Production inched up by +1.1%yoy. CPO output inched to 1.84m tonne (+0.7%mom, +1.1%yoy) versus prior year, well supported by mixed stronger production from peninsular and eastern estates, especially Pahang (+0.2%yoy), Perak (+10.0%yoy) and Sarawak (+4.0%yoy). The Oct' FFB yield improved by +4.4%yoy, bringing the accumulated yield rose to 12.65 tonne/ha (+1.9%yoy), thanks to the higher FFB delivered to mills fell to 9.54m tonne (+3.3%yoy).

The higher yield likely reflects an expansion in mature areas, while the increase in mill receipts was supported by stronger productivity in Sarawak, Pahang and Perak aided, by drier weather that improved harvesting and crop evacuation. However, the average OER edged slightly lower to 19.73%, as millers adopted a more selective FFB purchasing strategy to capitalise on elevated prices.

The latest report from Met Malaysia indicates that Malaysia may experience a short-lived La Niña episode from Oct onward, with a probability of 71% until this December. This expected to slow down window of estate related activities.

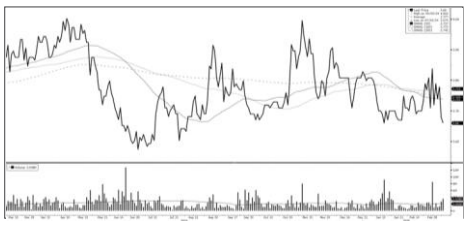
COMPANY *IN FOCUS*

IOI Corp

Maintain BUY | Target Price: RM4.42
Price @ 10th Oct 2025: RM3.96

- 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

Stock levels reach 22-month high. Ending stockpile in Sept maintained its psychological above 2.0m circa 2.36m tonne (+7.2mom, +17.3%yoy), despite slower production volume, no thanks to the eased exports numbers, which fell to 1.43m tonne (-8.5%yoy, -10.5%ytd). There was a mixed demand in the basket, where CPO demand improved to 336K tonne (+23.8%, -18.9%ytd), whilst derivative products such as PPO, PPKO and Oleo were down by -15.3%yoy, -18.4%yoy and -8.6%yoy, respectively.

Ending stock maintained high, due lower export numbers.

Notably, derivative product was down by weaker demand for both PPO and PPKO. PPO demand was affected by India's sustained high import duty of c. 35.75% on refined oils, which dampened import interest and trading volumes. The weaken in food industry (PPO based), indicating subdued restocking activity - a somewhat unusual trend ahead of the Mooncake and Deepavali festive demand periods in China and India. Within the lauric segment (PPKO based), market demand shifted back toward coconut oil as exports from the Philippines recovered, exerting pressure on locally produced PPKO. Although CPO export volumes improved to 336K tonne, their contribution remained modest c. 23.6% of total exports, offering little meaningful impact to overall export numbers.

Derivative export products fell, following high import duty in India amid stiff competition against coconut oil

Maintain Neutral. Looking ahead, we maintain our **NEUTRAL** call on the sector with average CPO price of **RM4,300/Mt** and **RM4,200/Mt** for CY25 and CY26 respectively. The outlook remains hazy in between supply and demand dynamic, where shortage in PO might be coming by neighbour aggressiveness policy such as impending B50 implementation in 2H26 by GOI. Meanwhile, demand failed to gain traction despite widened spread discount between the SBO, reflecting cautious sentiment. We downgraded Ta Ann and Sarawak Plantation due to the limited upside. Our new top pick is IOI Corp (BUY:TP RM4.42). We favour the stock for its low cost of production and high mill utilisation rate, which continue to support its upstream and the group profit margins which estimated above 40% and 10%.

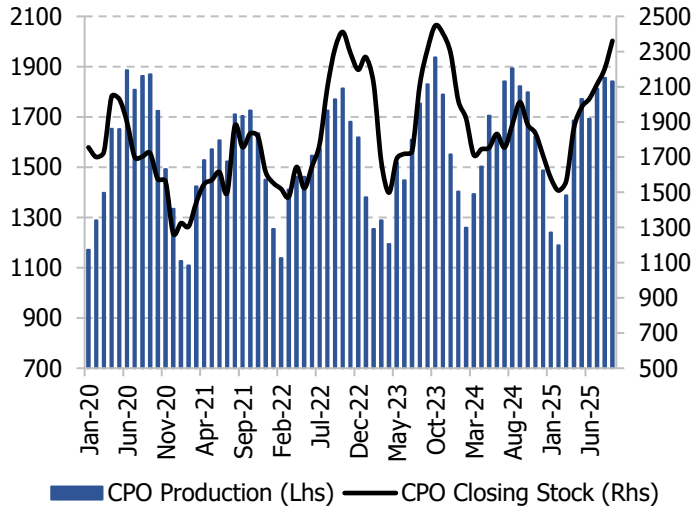
NEUTRAL sector view maintained with IOI Corp as a Top Pick.

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

	Sep-24	Aug-25	Aug-25	MoM%	YoY%	9M24	9M25	YoY%
Opening Stocks	1.88	2.11	2.20	4.2%	16.9%	2.29	1.71	-25.4%
Production	**1.82**	**1.85**	**1.84**	**-0.7%**	**1.1%**	**14.43**	**14.47**	**0.3%**
Imports	0.01	0.05	0.08	59.9%	>100%	0.18	0.66	>100%
Total Supply	**3.71**	**4.02**	**4.12**	**2.6%**	**11.1%**	**16.9**	**16.8**	**-0.3%**
Exports	1.56	1.33	1.43	7.7%	-8.5%	12.33	11.04	-10.5%
Dom Disapp	0.14	0.49	0.33	-31.9%	>100%	2.56	3.45	34.5%
Total Demand	**1.70**	**1.82**	**1.76**	**-3.0%**	**3.7%**	**14.89**	**14.48**	**-2.7%**
End Stocks	**2.01**	**2.20**	**2.36**	**7.2**	**17.3**	**2.01**	**2.36**	**17.3**

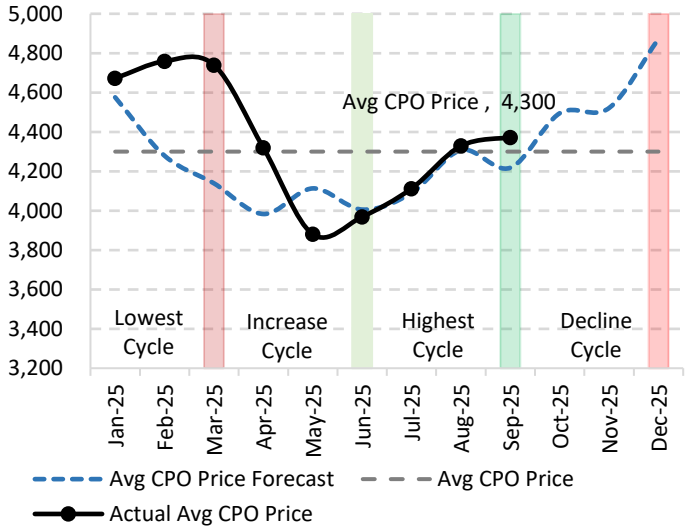
Source: MPOB, MBSBR

Chart 1: Malaysia PO Production VS Closing Stock



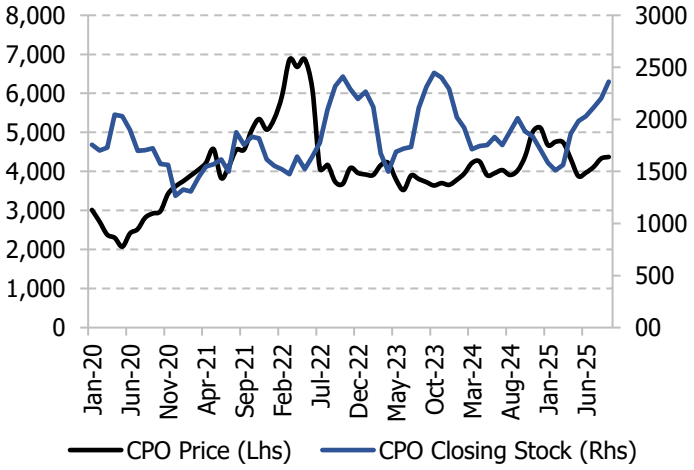
Source: MPOB, MBSBR

Chart 2: Estimated CPO Price Movement VS Actual



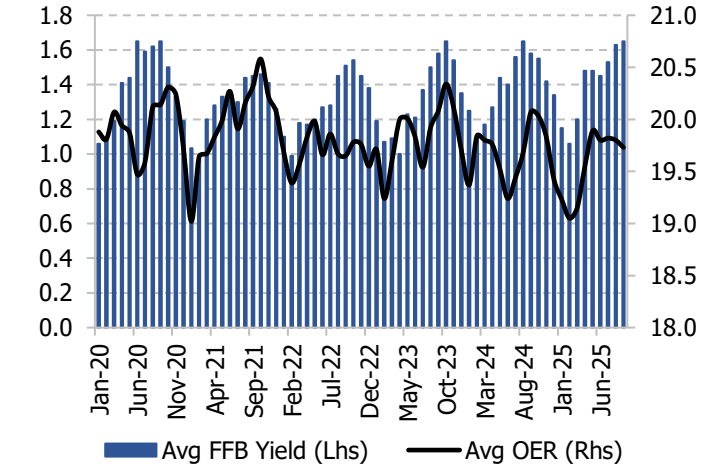
Source: MPOB, MBSBFR

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	3.96	4.42	19.5	19.3	20.3	20.5	2.7%	2.7%
Ta Ann	NEUTRAL	4.29	4.38	10.2	10.8	41.9	39.8	8.2%	5.8%
Genting Plant.	BUY	4.92	5.81	12.6	12.7	39.1	38.7	5.1%	4.3%
SD Guthrie	NEUTRAL	5.34	5.43	21.6	20.6	24.7	25.9	3.1%	3.5%
KLK	NEUTRAL	20.46	20.23	18.0	18.7	113.9	109.4	3.1%	3.0%
Sarawak Plant.	NEUTRAL	2.91	2.88	10.8	12.3	26.9	23.7	6.2%	5.2%
TSH Resources	NEUTRAL	1.21	1.23	10.6	10.8	11.4	11.2	2.1%	2.1%
Weighted Avg.				14.8	15.0	39.7	38.5	4.3%	3.8%

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