Plantation

Maintain **NEUTRAL**

October 2026 Statistics

HIGHLIGHTS

- CPO prices trending lower in tandem with astronomical >3.5m tonnes stockpiles.
- Production recorded 5.4%yoy growth despite last year's high base.
- Stockpile stay above physiological level 3.5m tonnes due to muted exports.
- Maintain **NEUTRAL** with unchanged average CPO Target Price of RM4,400/Mt for CY26.

SECTOR RECAP

CPO Price averaged RM4,406/tonne in Oct (RM4,404/tonne ytd). Local CPO delivery prices averaged RM4,406/tonne (-4.5%mom, **-0.2%yoy**), 2.5% below our initial forecast of RM4,518/tonne. Prices opened at RM4,391/tonne but ended the month slightly weaker at RM4,388/tonne, as optimism faded on higher-than-expected production and concerns over mounting local supply. Even the rebound in crude oil prices failed to lift sentiment, with energy-linked support overshadowed by the supply overhang. This left CPO struggling to regain ground, as the market looked for stronger demand to absorb excess supply and ease pressure on prices.

For Nov, we expect CPO prices could remain soft, averaging around RM4,251/tonne (-3.5%mom). More intense heatwaves could provide a key tailwind to prices, with the probability of a Super El Niño maintained c.100% from Nov CY26 -March CY27, keeping potential supply disruptions firmly on the radar.

However, with robust production numbers and persistently high stockpiles, this should keep CPO prices range bound. Demand remains the key downside risk, while easing SOH tensions could take some steam out of biodiesel optimism. If CPO's attractive discount to SBO still fails to draw buyers back, stocks could stay around the psychological 3.5m-tonne level, edging towards 4.0m tonnes if production growth holds. Until exports pick up meaningfully, we see limited room for prices to move higher.

Robust output. CPO output continued robust at 2.15m tonnes (+1.7%mom, **+5.4%yoy**), with growth across all regions. Peninsular output rose +3.2%yoy, while Sabah led gains at +10.1%yoy, followed by Sarawak (+6.0%yoy). National FFB yield improved +4.4%yoy to 1.88 tonnes/ha, with FFB deliveries rising +2.4%yoy to 10.65m tonnes, keeping mills busy. OER also edged higher to 20.34% (Oct-25: 20.04%), supported by favourable weather that allowed timely harvesting and fruit evacuation, preserving fruit quality and lowering moisture content.

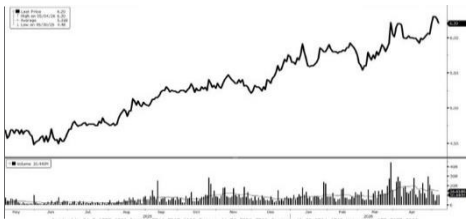
COMPANY *IN FOCUS*

SD Guthrie

Maintain BUY | Target Price: RM7.65
Price @ 10th Nov 2026: RM5.93

- Potential land monetisation gains of c.RM500-700m annually over the next 5 years offering further earnings upside
- Malaysia production growth c. +5% supported by strong FFB yield of 19.63tonne/ha and OER 21.3%

SHARE PRICE CHART



Abbreviation.

FFB: Fresh Fruit bunches
CPO: Crude Palm Oil
SBO: Soybean Oil
PPO: Processed Palm 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

Stockpile builds as fragile exports continue.

Astronomical 3.6m tonne stockpiles. Stockpiles continued pilling up in October, rising to 3.62m tonnes (+3.2%mom, **+44.4%yoy**) no thanks to continuation strong output and relatively unchanged export demand at 1.71m tonnes (+55.7%mom, +**1.3%yoy**). The relatively muted export performance recorded despite a widen price premium over SBO in Oct and September, at approximately USD426/tonne and USD435/tonne, respectively.

In fact, October's SBO-PO discount remained >100% above its 3-year average of USD200/tonne, yet demand stayed muted. Malaysian PO-faced competition from Indonesian supplies, offered at discounts of c.RM900-1,000/tonne amid active selling ahead of the January 2027 single-gateway policy. Despite attractive pricing, meaningful buying interest remained elusive, leaving Malaysia's stock-to-usage ratio elevated at 14.6%, as abundant supply continued to outpace consumption and kept inventories under persistent pressure.

Mounting stockpiles cap CPO upside.

Maintain Neutral. Taking cue from latest industry data, we maintain our NEUTRAL call, as mounting stockpiles cloud the sector's near-term outlook. Better-than-expected rainfall should spare local output from Super El Niño's impact for now, providing some relief against Indonesia's supply shortfall. With India's seasonal restocking window (Aug-Oct) ending, exports could remain soft in the remaining months. We see limited room for a sustained CPO price recovery until stronger buying absorbs excess supply and brings inventories down to more manageable levels.

Unchanged average CPO price target of RM4,400/tonne for CY26.

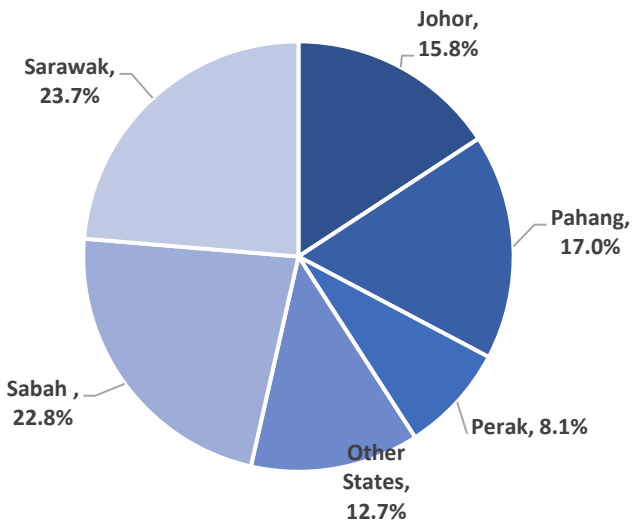
Meanwhile, cost pressures are likely to remain elevated through 2H26–CY27, driven by higher fertiliser tender prices, diesel-linked logistics costs and the new minimum wage increase to RM2,000, further weighing on estate and milling margins. Downstream players also continue to contend with higher freight and insurance costs amid intensified tensions in the gulf countries. With mounting stockpiles capping price upside and costs remaining sticky, we maintain **NEUTRAL** on the sector, with an unchanged CY26 CPO price assumption of **RM4,400/tonne**.

Figure 1: Malaysia Palm Oil Statistics for October 2026 ('000 Tonnes)

	Oct-25	Sep-26	Oct-26	mom%	yoy%	10M25	10M26	yoy%
Opening Stocks	2.36	2.82	3.51	24.5%	48.8%	1.71	3.05	78.6%
Production	**2.04**	**2.12**	**2.15**	**1.7%**	**5.4%**	**16.52**	**16.90**	**2.3%**
Imports	0.04	0.06	0.03	-54.9%	-27.8%	0.70	0.58	-16.5%
Total Supply	**4.44**	**4.99**	**5.69**	**13.9%**	**28.2%**	**18.92**	**20.54**	**8.5%**
Exports	**1.69**	**1.10**	**1.71**	**55.7%**	**1.3%**	**12.73**	**13.16**	**3.4%**
Dom Disapp	0.24	0.39	0.36	-6.7%	47.9%	3.69	3.75	1.7%
Total Demand	**1.93**	**1.48**	**2.07**	**39.5%**	**7.1%**	**16.42**	**16.91**	**3.0%**
End Stocks	**2.51**	**3.51**	**3.62**	**3.2%**	**44.4%**	**2.51**	**3.62**	**44.4%**

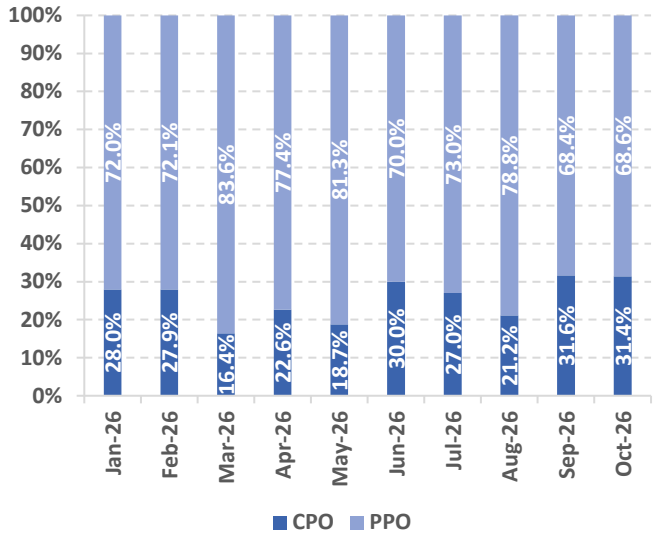
Source: MPOB, MBSBR

Figure 2: CPO Production Breakdown for Oct 2026



Source: MPOB, MBSBR

Figure 3: PO Exports for Oct 2026



Source: MPOB, MBSBR

Figure 4: Selected average FFB Yield by state (Mt/Ha)

	Oct-25	Sep-26	Oct-26	mom%	yoy%	10M25	10M26	yoy%
Johor	1.97	2.15	2.18	1.4%	10.7%	16.42	16.37	-0.3%
Pahang	2.13	2.05	2.11	2.9%	-0.9%	16.25	14.70	-9.5%
Perak	2.03	2.25	2.00	-11.1%	-1.5%	18.83	19.19	1.9%
Peninsular	1.94	2.01	2.00	-0.5%	3.1%	16.04	15.30	-4.6%
Sabah	1.69	1.74	1.83	5.2%	8.3%	13.47	14.17	5.2%
Sarawak	1.68	1.80	1.74	-3.3%	3.6%	12.87	13.89	7.9%
Sabah/Sarawak	1.69	1.77	1.78	0.6%	5.3%	13.16	14.03	6.6%
Average FFB Yield	**1.80**	**1.88**	**1.88**	**0.0%**	**4.4%**	**14.45**	**14.59**	**1.0%**

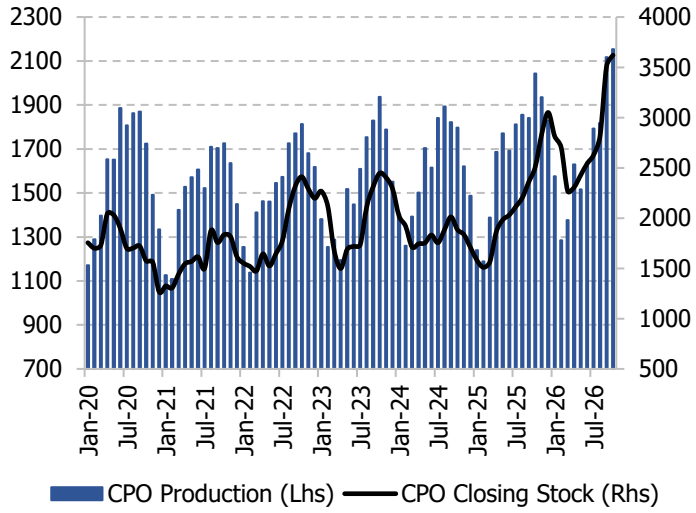
Source: MPOB, MBSBR

Figure 5: Selected average Oil Extraction Rate (OER) by state (%)

	Oct-25	Sep-26	Oct-26	mom%	yoy%	10M25	10M26	yoy%
Johor	19.81	20.32	20.17	-0.7%	1.8%	19.49	20.09	3.1%
Pahang	19.97	19.72	20.15	2.2%	0.9%	19.51	19.96	2.4%
Perak	19.41	19.80	19.61	-1.0%	1.0%	19.33	19.45	0.6%
Peninsular	19.89	20.01	20.07	0.3%	0.9%	19.49	19.91	2.1%
Sabah	20.69	21.25	21.41	0.8%	3.5%	20.14	21.03	4.4%
Sarawak	19.83	19.96	19.99	0.2%	0.8%	19.42	19.67	1.3%
Sabah/Sarawak	20.23	20.56	20.66	0.5%	2.1%	19.76	20.31	2.8%
Average OER	**20.04**	**20.26**	**20.34**	**0.4%**	**1.5%**	**19.61**	**20.09**	**2.5%**

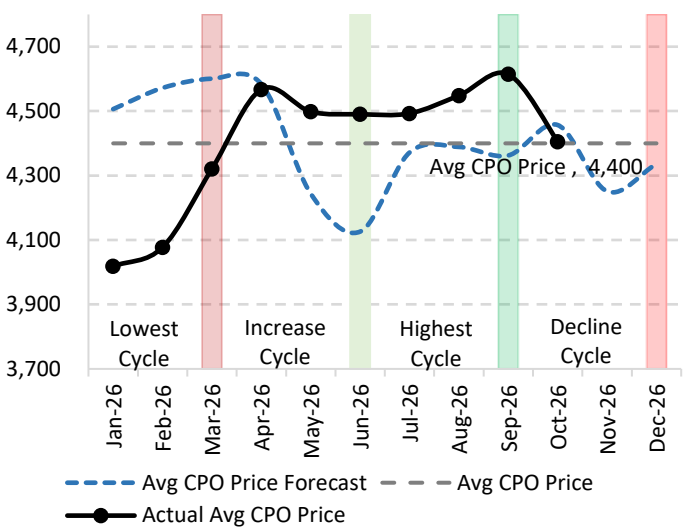
Source: MPOB, MBSBR

Figure 6: Malaysia PO Production VS Closing Stock



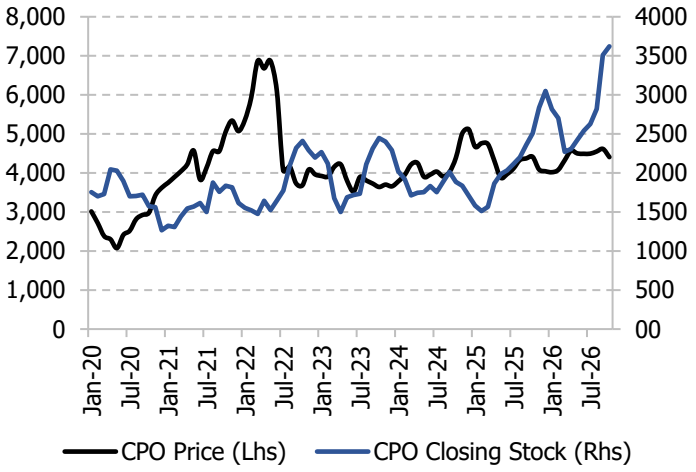
Source: MPOB, MBSBR

Figure 7: CPO Price Est. Across the Production Cycle



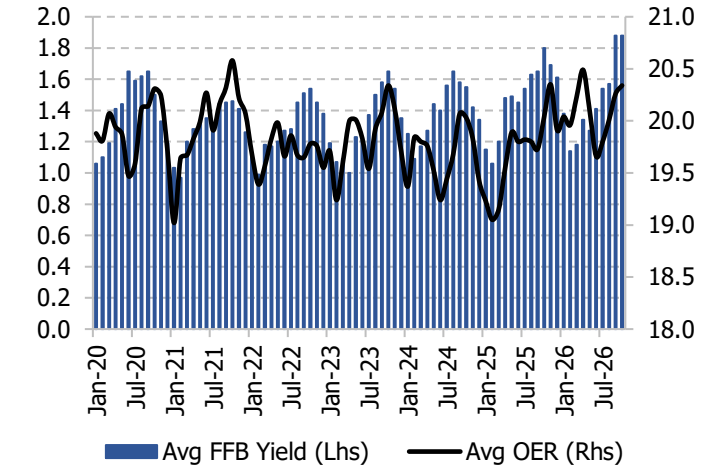
Source: MPOB, MBSBR

Figure 8: PO Closing stock VS CPO Price



Source: MPOB, MBSBR

Figure 9: Average FFB Yield VS OER



Source: MPOB, MBSBR

Figure 10: Peer Comparison

Company	Rating	Price (RM)	TP (RM)	PER (x)		Core EPS (Sen)		Div. Yield (%)	
				FY26F	FY27F	FY26F	FY27F	FY26F	FY27F
SD Guthrie	BUY	5.93	7.65	14.15	13.99	41.90	42.40	3.0%	3.0%
IOI Corp	NEUTRAL	4.29	4.42	18.18	20.93	23.60	20.50	2.9%	2.3%
KLK	NEUTRAL	21.00	20.15	19.28	20.63	108.90	101.80	2.9%	2.7%
Genting Plant.	BUY	4.87	6.94	10.82	10.45	45.00	46.60	5.1%	5.1%
Sarawak Plant.	BUY	3.85	5.36	9.63	7.91	40.00	48.70	6.5%	5.2%
Johor Plant.	BUY	1.74	2.21	14.15	13.38	12.30	13.00	4.6%	4.6%
Ta Ann	BUY	5.41	6.72	9.02	9.66	60.00	56.00	7.4%	6.5%
TSH	NEUTRAL	1.11	1.28	10.78	9.25	10.30	12.00	2.3%	2.3%
Simple Avg.				**13.3**	**13.3**	**42.8**	**42.6**	**4.3%**	**4.0%**

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