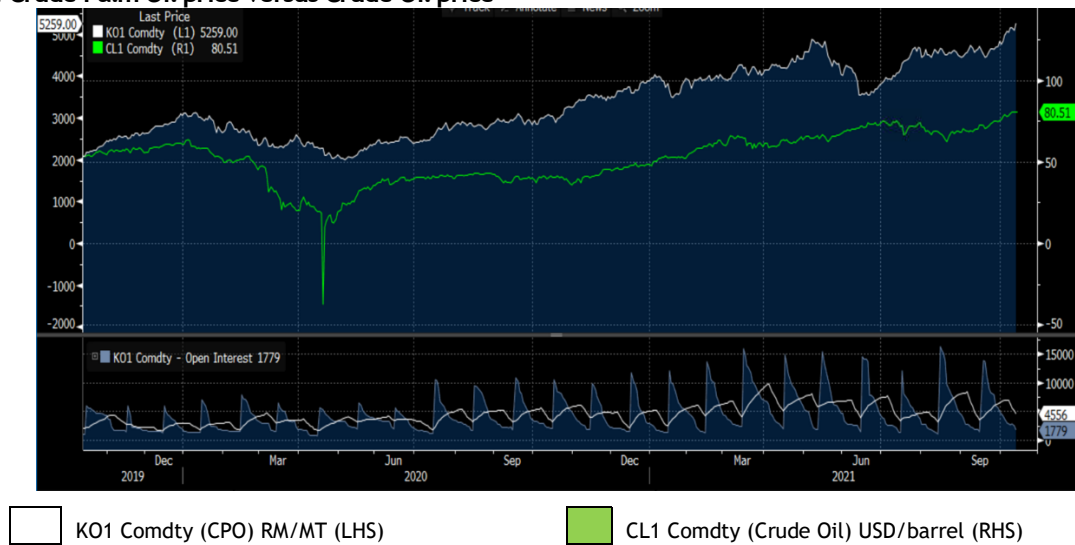


- The COVID-19 pandemic has impacted the demand and supply of global commodities. Crude Palm Oil (CPO) price have rallied from a low of RM2,000 per metric tonne (MT) in April 2020 to current all-time high of RM5,259 per MT.
- As explained in Part 1, the crude oil prices have rallied by +332.8% from its low of USD19.3 per barrel due to COVID supply disruption which led to the global energy crisis.
- The supply disruption from Covid-19 mobility control, energy crisis, winter season and pent up demand from the reopening of the economy have called for huge demand for both crude oil and CPO demand. Historically, the CPO price is positively correlated to the crude oil price (see Figure 1).

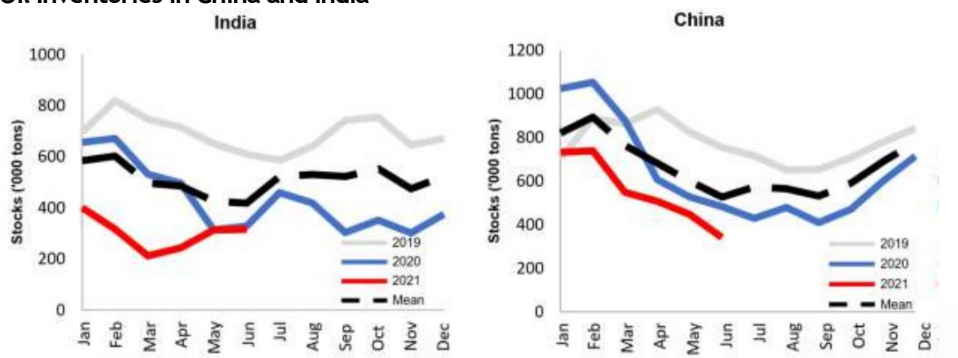
Figure 1: Crude Palm Oil price versus Crude Oil price



Source: Bloomberg

- The palm oil inventories of the two largest consuming countries, namely India and China, have been low, suggesting more replenishing activities in the months forward. Stocks in China for June 2021 were estimated at 0.34 million MT, down 29% year-on-year (YoY), while inventories in India were at 0.32 million MT, down 4% YoY.
- Moreover, India, the world’s largest importer of CPO has lowered CPO import tariffs to 10% from 15% for three months effective June 2020. This is set to encourage higher demand for CPO.

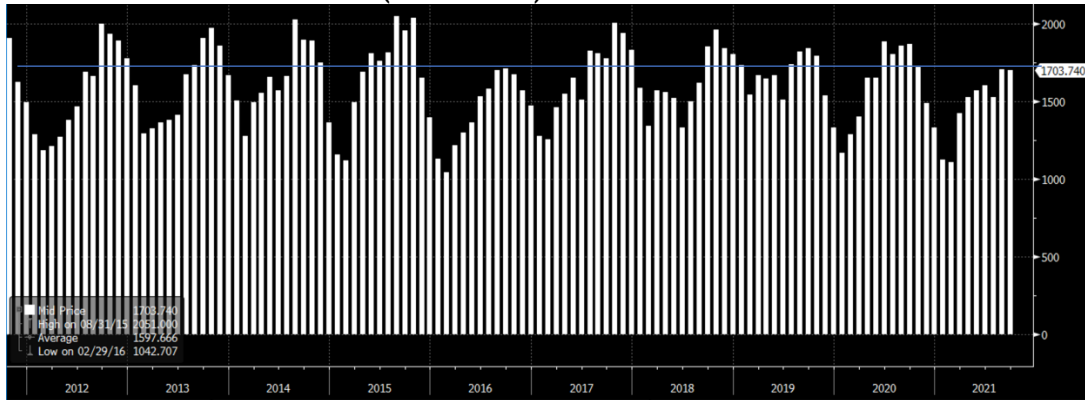
Figure 2: Palm Oil Inventories in China and India



Source: Refinitiv, CPOPC Secretariat

- On the supply side, Malaysian CPO production has remained low given the shortage of labour due to lockdown. Current CPO production is close to El Nino production level, which typically recorded very low production.

Figure 3: MPOB Crude Palm Oil Production (thousand MT)



Source: Bloomberg

- The mismatch in demand and supply of CPO has caused a surge in CPO prices. The price has rallied by 163% from a low of RM2,000 per metric tonne (MT) in April 2020 to current all-time high of RM5,259 per MT.

Figure 4: Bursa Malaysia Plantation Index vs FBMKLCI Index



* Blue line indicated FBMKLCI Index

Source: Bloomberg

- Malaysia as the second largest CPO producer in the world will likely benefit from the surge in CPO prices. Bursa Malaysia Plantation Index have surged by +18.1% since September 2021 following the spike in CPO prices.
- On 13 October 2021, President Jokowi has announced to curb exports of CPO, will further reducing the supply of palm oil which could lead to a further rise in prices.

Figure 5: Opportunities for Plantation Companies (data updated as at 14 Oct 2021)

Name	Weight (%)	Shares Outstanding (mil)	Last Price (RM)	Market Cap (RM bil)	Beta (x)	Revenue (RM mil)	EPS (sen)	EPS Growth (%)	DPS (sen)	PER (x)
Sime Darby Plantation Bhd	22.6	6,915.7	4.3	29.8	1.0	13,074.5	17.2	1,005.1	8.0	16.6
IOI Corp Bhd	19.1	6,285.2	4.0	25.0	1.0	11,251.7	22.3	132.6	10.5	18.0
Kuala Lumpur Kepong Bhd	18.6	1,081.0	22.7	24.5	1.0	15,596.0	72.0	24.1	50.0	13.3
Batu Kawan Bhd	6.6	399.5	21.9	8.6	0.8	15,913.8	105.3	14.8	60.0	9.4
Genting Plantations Bhd	5.1	897.4	7.6	6.8	0.7	2,498.2	28.4	70.6	10.0	22.0
United Plantations Bhd	4.5	416.3	14.2	5.9	0.5	1,340.1	96.3	41.7	25.0	16.4
FGV Holdings Bhd	4.0	3,648.2	1.4	5.2	1.2	14,075.7	4.0	NA	3.0	9.0
IJM Plantations Bhd	2.1	880.6	3.1	2.7	1.2	935.7	23.3	NA	10.0	15.0
Sarawak Oil Palms Bhd	1.7	571.7	3.8	2.2	1.3	2,778.6	35.8	128.1	0.0	8.1
FAR East Holdings Bhd	1.4	593.8	3.0	1.8	0.5	669.0	16.5	22.5	5.0	13.0
Hap Seng Plantations Holdings Bhd	1.3	800.0	2.2	1.7	0.8	467.6	11.3	187.3	7.0	12.5
TSH Resources Bhd	1.3	1,381.8	1.2	1.7	1.5	781.7	5.8	54.8	1.5	18.6
Kim Loong Resources Bhd	1.2	955.7	1.7	1.6	1.1	971.7	10.2	130.9	4.0	14.9
Boustead Plantations Bhd	1.2	2,240.0	0.7	1.6	1.6	763.0	1.9	NA	1.0	14.8
Ta Ann Holdings Bhd	1.1	444.8	3.3	1.4	1.2	1,218.0	17.6	10.6	5.0	10.7
Kretam Holdings Bhd	1.0	2,327.6	0.6	1.4	0.9	470.7	2.2	NA	0.0	20.4
United Malacca Bhd	0.8	209.8	5.2	1.1	0.7	398.1	6.2	20.3	3.0	NA
BLD Plantation Bhd	0.6	93.5	9.0	0.8	NA	1,898.6	69.8	1,193.0	0.0	11.4
Jaya Tiasa Holdings Bhd	0.5	973.7	0.7	0.7	1.6	723.4	3.2	NA	0.0	22.7
Sarawak Plantation Bhd	0.5	280.0	2.5	0.7	0.9	465.7	22.0	193.9	5.0	8.0

DISCLAIMER: This report is provided for general information purposes only. Although care has been taken to ensure the accuracy of the information within this report, Bursa Malaysia Berhad and its subsidiaries (“Bursa Malaysia Group”) do not warrant or represent, expressly or impliedly as to the completeness, accuracy or currency of the information in this report. Bursa Malaysia Group does not endorse and shall not be liable for any information in this report that have been obtained via third party sources (if any).

The information contained in this report is neither an offer or solicitation to enter into any transaction nor is it a recommendation or endorsement of any product(s) mentioned in this report. The information also does not constitute legal, financial, trading or investment advice. You are advised to seek independent advice and/or consult relevant laws, regulations and rules prior to trading/investing. Bursa Malaysia Group does not accept any liability howsoever arising, including any liability arising from any trading/investment decisions made on the basis of this information.

This report or any part of this report shall not be used or reproduced in any form without Bursa Malaysia Berhad’s prior written permission.