Plantation

Key takeaways from PIPOC 2025

Overweight (no change)

- CPO prices are expected to trade within RM4000–4,600/tonne in 1H26F, based on forecasts provided by speakers — broadly in line with CIMB estimates.
- Malaysia's ageing palm backlog persists, with replanting at ~1.5% vs. the 4% needed; this could weigh on national FFB yields.
- Dr Ramesh stressed that replanting only works with strong ground execution, better labour conditions, and leadership; otherwise, yields won't recover.

PIPOC 2025: CPO price to trade within RM4,000–4,600/tonne in 1H26F

We attended the MPOB International Palm Oil Congress and Exhibition (PIPOC) held over 18–20 Nov at Kuala Lumpur Convention Centre. In this report, we highlight some of the key takeaways from the conference. Speakers shared broadly aligned views that crude palm oil (CPO) prices remain stuck in a range-bound market, but their forecasts and reasoning differ. Dr Julian McGill (Glenauk) expects prices to recover gradually to RM4,300–4,400/tonne by 1Q26, driven mainly by an eventual improvement in export demand once palm oil regains price competitiveness against soybean oil. McGill emphasised that recent price weakness is due to high production and lack of a bullish policy signal (B50/EPA), rather than fundamentals. Meanwhile, Dr Sathia Varqa (Fastmarkets) projects a seasonal rebound to RM4,500–4,600/tonne in 1Q26, underpinned by low seasonal production, improved festive demand, and potential tightening of supply if Indonesia formalises progress on B50. Across both views, the key message is consistent: policy clarity is the decisive catalyst. Without a firm signal on Indonesia's biodiesel mandate or US/EU biofuel policy, prices are likely to remain volatile within RM4,000–4,300/tonne, driven by inventory swings, weather, and short-term trade flows. This is broadly in line with our average CPO price projections of RM4,330/tonne for 2025F and RM4,200/tonne for 2026F.

Replanting and turnaround to improve future FFB yield of oil palm estates

Speakers underscored that Malaysia's long-term competitiveness depends on accelerated replanting and disciplined estate turnaround, especially among smallholders facing ageing palms, limited capital, and weak access to technology. Malaysian Palm Oil Board's (MPOB) Azman Ismail highlighted that the national replanting rate remains stuck at ~1.5%, far below the 4% required, creating a worsening backlog of ~650,000 ha of palms >25 years old, which depresses yields and inflates costs. MPOB simulations show that replanting 200,000–228,000 ha/year could eliminate the backlog within 4–5 years and lift national yields from ~17.9 tonnes/ha to ~20.8 tonnes/ha by 2035. Dr Ramesh Veloo, CEO of Incorporated Society of Planters, added that replanting must be paired with proper ground execution, including consistent fertiliser application, reducing crop losses, fixing drainage, improving labour conditions, and strengthening leadership culture; otherwise, Veloo said, yields will not recover even with a younger age profile. For smallholders, coordinated financing, mechanisation, digital traceability, and structured replanting programmes are essential to lift income, reduce cost per tonne, and build a more resilient palm oil ecosystem.

Figure 1: MPOB simulations showed replanting of 200,000 ha/annum

	2026	2030	2031	2035
Area = 26 years (ha)	216,796	165,711	200,940	250,929
Cumulative area ≥26years	767,586	1,419,933	1,620,873	2,501,523
Replanting (ha)				
- Estate	195,000	195,000	162,661	195,000
- Independent smallholder	5,000	5,000	5,000	5,000
Balance old palm area (ha)				
- Estate	204,971	2,938	0	14,225
- Independent smallholder	158,843	213,223	249,441	367,504
Seedling @ 200 palms/ha	40,000,000	40,000,000	40,000,000	40,000,000
Total oil palm area (ha)	5,700,000	5,700,000	5,700,000	5,700,000
Yield (t/ha/yr)	17.95	18.95	19.24	20.87

Source: MPOB, PIPOC 2025, CIMB Securities

Highlighted companies

Hap Seng Plantations, Buy

Share price	RM2.16	Target price	RM2.45

We favour Hap Seng Plantations for its attractive EV/ha valuation, strong balance sheet, and solid dividend yield.

IOI Corporation, Buy

Share price	RM4.09	Target price	RM4.11

We like IOI Corp as it is less exposed to regulatory risks in Indonesia, given its comparatively smaller footprint there among large-cap planters.

SD Guthrie, Buy

Share price	RM5.31	Target price	RM6.01

We like SD Guthrie as its earnings are poised to benefit not only from firm CPO prices but also from land sale gains arising from its ongoing land monetisation plans.

Valuation metrics

	Dec-25F	Dec-26F	Dec-27F
P/E (x)			
Hap Seng Plantations	11.52	13.58	13.10
IOI Corporation	19.30	17.94	18.02
SD Guthrie	18.90	19.77	18.94
P/BV (x)			
Hap Seng Plantations	0.81	0.79	0.77
IOI Corporation	2.01	1.91	1.81
SD Guthrie	1.89	1.82	1.75
Dividend yield (%)			
Hap Seng Plantations	5.21	4.42	4.58
IOI Corporation	2.57	2.57	2.57
SD Guthrie	3.86	3.03	3.17

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PIPOC 2025 highlights

The short- and long-term outlook for palm oil supply and prices

Dr Julian McGill | *Glenauk Economics Sdn Bhd, Malaysia*

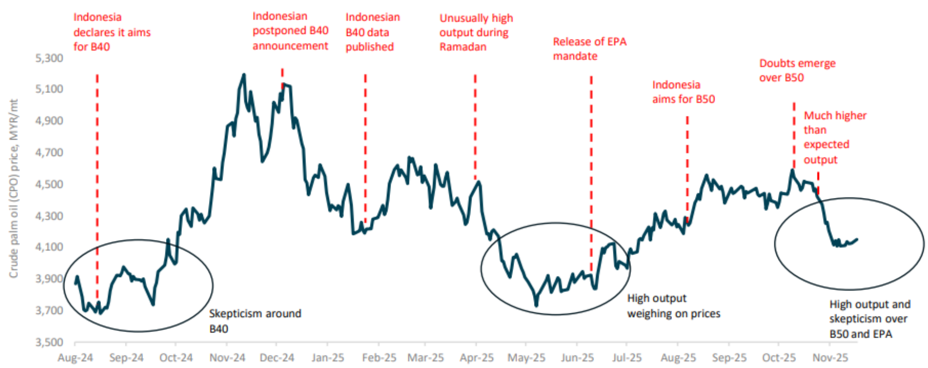
In his presentation on CPO prices, Dr Julian McGill of Glenauk argued that palm oil prices fell recently because the market has once again entered a phase of high output and there are no convincing bullish catalysts, echoing the same stop-start dynamics seen since 2024.

McGill explained that while fundamentals matter in the long run, recent price behaviour has been driven largely by shifting expectations around Indonesia's biodiesel mandates (B40–B50) and the US Environmental Protection Agency (EPA), where each announcement, delay, or setback ignited short-term rallies and subsequent collapses.

According to McGill, today's weakness reflects stronger-than-expected production across Malaysia and Indonesia — thanks to a "Goldilocks" weather year — as well as renewed doubts over B50, uncertainty surrounding the EPA, and the lack of any fresh policy trigger to excite funds, leaving sentiment flat and investors waiting on the sidelines.

With high stocks and an elongated production peak still weighing on the market, McGill noted that there is "no hook, no story" to lift prices in the immediate term. Even so, he maintains a cautiously constructive outlook, forecasting that prices could recover to around RM4,300–4,400/tonne by 1Q26, mainly if export demand improves once palm oil becomes more price-competitive against soybean oil — although he emphasised that any sustained upside still requires a clear catalyst to emerge.

Figure 2: Output and biodiesel announcements drive CPO prices



Daily Crude Palm Oil 3rd Month Contract Price, Aug 24 – Nov 25

Source: Glenauk Economics, PIPOC 2025, CIMB Securities

Palm and Laurics Market Outlook 2026

Dr Sathia Varqa | *Fastmarkets, Singapore*

In his presentation at PIPOC 2025, Dr Sathia Varqa of Fastmarkets explained that recent CPO price weakness is largely the result of a surprise surge in October production, led by Sabah and Sarawak, which pushed stocks above 2m tonnes and raised fears that November inventories will climb further amid sluggish post-Deepavali exports.

He noted that futures CPO prices have been trapped in a narrow RM4,000–4,200 range as the market digests not just fundamentals but also technicals and sentiment. In the cash market, Varqa highlighted that sunflower oil remains elevated on Ukrainian supply issues, while soybean oil is now cheap enough to regain market share from palm in price-sensitive destinations like India, Pakistan, and Kenya.

Looking ahead, Varqa flagged 2026 as a year of major policy disruption, driven by tighter EU rules (EU Deforestation Regulation [EUDR], Renewable Energy Directive [RED] III, anti-dumping actions), US-China trade manoeuvres, and — most critically — Indonesia's domestic policies, including land seizures, a potential 600,000-ha replanting push, domestic market obligations, and the flagship biodiesel mandate. His analysis suggests up to 3.5m tonnes of Indonesian CPO production could be at risk in 2026 if seized land is poorly managed, even as the government remains committed to higher biodiesel usage, tightening the balance further.

Varqa also expects Malaysia's palm oil production to rise modestly in 2025 before flattening, while Indonesia could see a sharper decline if land and policy disruptions escalate. For prices, he anticipates a seasonal rebound in 1Q26 — supported by low production, fewer harvesting days, and festive demand — lifting CPO futures to around RM4,500–4,600/tonne, with even higher upside if Indonesia formally announces and demonstrates firm progress toward B50 biodiesel implementation, which the market currently anticipates around mid-2026 following upcoming road tests.

Figure 3: Malaysia palm oil supply and demand (m tonnes)

MALAYSIA	2024 (actual)	2025 (estimate)	% change	2026 (projection)
Carry forward	2.29	1.71	-25.45	2.06
Production	19.34	19.65	**1.60**	19.60
Imports	0.25	0.70	**176.15**	0.32
TOTAL SUPPLY	**21.88**	**22.06**	**0.79**	**21.98**
Exports	16.88	15.80	-6.39	16.75
Domestic consumption	3.29	4.20	**27.50**	3.20
Stocks	1.71	2.06	**20.61**	2.03
TOTAL DEMAND	**21.88**	**22.06**	**0.82**	**21.98**

Source: Fastmarkets, PIPOC 2025, CIMB Securities

Navigating changes: How US policy shifts under new leadership shape global oils and fats market dynamics

Dr Benjamin Hook | *Global Data, United Kingdom*

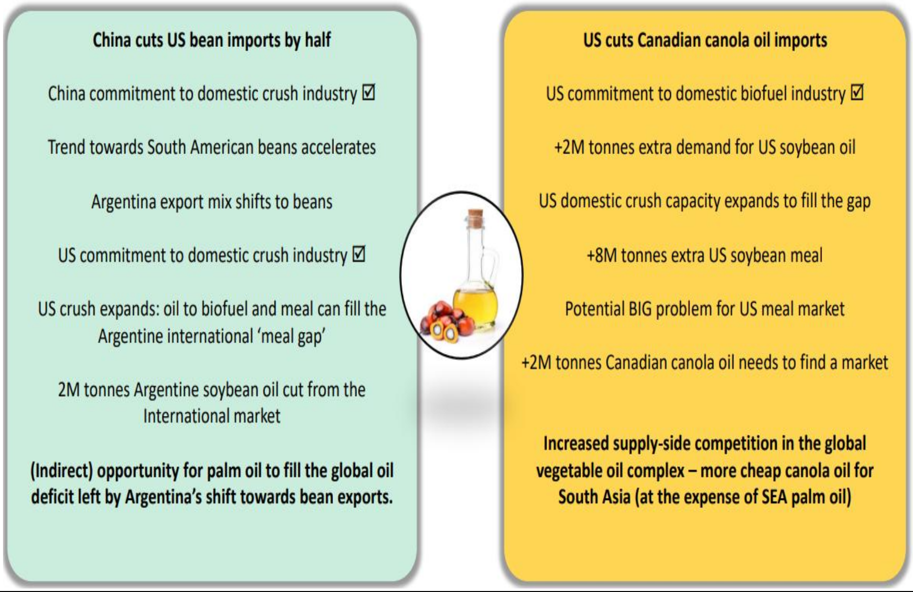
Dr Benjamin Hook of Global Data concluded that, despite all the noise around US and China policy shifts, palm oil remains a structural winner over the next 5–10 years. His baseline view is that global demand for palm oil will stay robust, underpinned by rising domestic biodiesel use in Indonesia and palm's unique functional role in food and oleochemicals (hard fats, mid-fractions, specialised applications) that other oils cannot easily replace.

Even with more soybeans being crushed in Brazil, China, and the US, Hook argued that this will not "wipe out" palm oil demand, because a big part of palm usage is "palm-only" — buyers use it for specific technical reasons, not just because it is cheap.

Looking at two "what if" scenarios, he stressed that palm oil is more likely to see opportunities than threats, but with nuances. In the first scenario, where China halves its US soybean imports and leans even more on Brazil and Argentina, Argentina would export more beans but much less oil and meal, effectively removing around 2m tonnes of Argentinian soybean oil from the market — a gap that palm oil could fill, especially in South Asia, making this scenario broadly positive for palm (while Argentina's crushers are the losers). In the second scenario, where the US raises barriers to Canadian canola oil to favour domestic soy for its biofuel programme, extra Canadian canola would be pushed onto world markets and compete directly with palm oil in key importing regions — a less favourable outcome for palm.

Overall, Hook's message was that palm oil demand remains solid, but the exact balance of upside and downside will depend on how aggressively the US and China reshape trade flows and biofuel policy, and where displaced soy or canola oil eventually lands.

Figure 4: Palm oil: Winner or loser?



Source: Globaldata

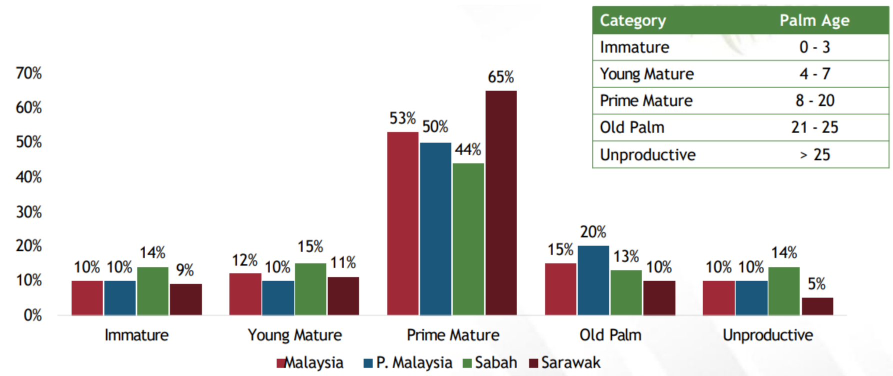
Accelerated Oil Palm Replanting: The Way Forward for a Sustainable and Competitive industry

Mr Azman Ismail | *MPOB, Malaysia*

Azman Ismail, Head of the Techno-Economic Research unit of the MPOB, stressed that Malaysia's palm oil sector has reached a critical turning point, where accelerated replanting is no longer optional but essential to protect long-term productivity, competitiveness, and sustainability. With 89% of national oil palm area already mature, more than 25% entering or exceeding the unproductive >21–25 years age band, and national yields stuck at 15–18 tonnes/ha for over a decade, Malaysia is increasingly constrained by an ageing tree profile, labour shortages, rising costs, and tighter global sustainability standards. Ismail highlighted that the national replanting rate has remained far too low — only ~1.5–1.6% annually versus the required 4% — causing the replanting backlog to balloon to nearly 650,000 ha by 2025.

His core message is that Malaysia cannot rely on land expansion and must instead restore yield potential through systematic replanting with high-quality seeds, supported by a coordinated national blueprint, targeted support for smallholders, and a secure seedling supply chain. Accelerated replanting (around 200,000–228,000 ha/year) would eliminate the backlog by 2029, lift national yields (from 17.9 tonnes/ha today to ~20.8 tonnes/ha by 2035), lower harvesting and field losses associated with tall ageing palms, reduce cost per tonne, and improve compliance with increasingly strict global buyers. He concluded that replanting is the most effective lever for Malaysia to reverse yield decline, future-proof smallholder income, and maintain the country's global reputation for sustainable, well-managed palm oil.

Figure 5: Age profile of Malaysian palm oil area, Jun 2025



Category	Palm Age
Immature	0 - 3
Young Mature	4 - 7
Prime Mature	8 - 20
Old Palm	21 - 25
Unproductive	> 25

Source: MPOB, PIPOC 2025

Ensuring Business Continuity Through Plantation Turnaround

Dr Ramesh Veloo | *Incorporated Society of Planters*

CEO of Incorporated Society of Planters Dr Ramesh Veloo's key message was that plantation turnaround is a focused, short- to medium-term rescue of a distressed business — and it lives or dies on leadership, ground execution, and hard choices, not CPO price. Veloo distinguished turnaround from transformation: turnaround is about restoring profitability in 1–3 years by fixing operations, while transformation is a longer-term strategic renewal. He warned that high CPO prices are "a camouflage of performance"; many estates with weak yields, poor establishment, labour issues, and environmental, social, and governance (ESG) problems look to be fine only because prices are high, and about 1m ha in Malaysia/Indonesia are highly vulnerable to margin compression when prices fall.

Veloo's conclusion was that successful turnaround requires (i) facing reality early ("bite the bullet") — stop blaming soil and climate, admit under-fertilising, crop loss, poor age profile, bad acquisitions, etc.; (ii) getting the basics right on the ground — reduce crop losses, fix drainage and housing, enforce good harvesting and fertiliser practice, and attack yield gaps systematically (from "yield taking" to "yield making"); (iii) being prepared to divest structurally poor or remote assets rather than keep "bleeding" small, low-return estates; and (iv) strong, empowered leadership and a change agent team — a CEO who understand plantations, spends time on estates, and is not micromanaged by boards that lack field knowledge. Replanting and digital tools can help, but without disciplined management, culture change, and sustained investment (especially in fertiliser), yields will not recover, and companies will remain stuck in endless, cosmetic "turnarounds" that never deliver.

Figure 6: Impact of fertiliser reduction on FFB yields (poor inland soils)

Average 8 years	25%	50%	75%	100%
Current year	21.6	21.6	21.6	21.6
1st year	21.4(-1%)	21.1(-2%)	20.6(-4%)	20.3(-6%)
2nd year	20.9(-3%)	20.2(-6%)	19.0(-12%)	17.7(-18%)
3rd year	20.5(-5%)	19.2(-11%)	16.8(-22%)	15.1(-30%)
4th year	20.3(-6%)	18.7(-13%)	15.8(-27%)	13.8(-36%)
Average 12 years	**25%**	**50%**	**75%**	**100%**
Current year	20.1	20.1	20.1	20.1
1st year	20.0(-0.5%)	19.8(-1%)	19.5(-3%)	19.4(-3%)
2nd year	19.4(-3%)	18.6(-7%)	17.5(-13%)	16.9(-16%)
3rd year	18.8(-6%)	17.3(-14%)	15.2(-24%)	14.1(-30%)
4th year	18.5(-8%)	16.6(-17%)	14.0(-30%)	12.5(-38%)
Average 16 years	**25%**	**50%**	**75%**	**100%**
Current year	18.9	18.9	18.9	18.9
1st year	18.8(-0.5%)	18.7(-1%)	18.5(-2%)	18.5(-4%)
2nd year	18.3(-3%)	17.5(-7%)	15.5(-18%)	15.2(-20%)
3rd year	17.7(-6%)	16.1(-15%)	12.2(-35%)	11.2(-39%)
4th year	17.3(-8%)	15.3(-19%)	10.2(-46%)	9.4(-50%)

Source: MPOB 2001, PIPOC 2025, CIMB Securities

Revolutionising Smallholder Management Practices to Boost Productivity: FELDA's transformational approach

YBhg Dato' Dr Suzana Idayu Wati Osman | *Federal Land Development Authority (FELDA)*

Director General of FELDA Dr Suzana Idayu Wati Osman emphasised that FELDA is undergoing a major transformation from a traditional smallholder agency into a data-driven, technology-enabled and future-proof ecosystem, designed to secure long-term prosperity for its 112,638 settlers and nearly 3m dependents. While FELDA's roots lie in a nation-building mission that uplifted generations through land development, today it must confront modern challenges: an ageing settler population, limited youth interest in estate work, rising costs, productivity gaps, and the need for stronger governance.

In response, FELDA is implementing a three-pillar strategy focused on precision agriculture and digitalisation (SPMS, e-Nota Hantaran, RISE); upskilling estate managers and the next generation; and tightening governance, transparency, and institutional integrity. These initiatives are already raising yields above industry averages, improving income for settlers, and strengthening audit, traceability, and MSPO compliance.

Her core message is that FELDA is positioning itself not just as a plantation operator but as a holistic economic ecosystem that spans upstream to downstream businesses, cooperatives, SMEs, and community programmes. By embracing digital tools, strengthening human capital, and embedding unified governance standards, FELDA aims to build a sustainable, resilient, and globally competitive smallholder model that can withstand demographic change, climate pressures, and market volatility. Dr Suzana concluded that FELDA's transformation — rooted in legacy but powered by innovation — will ensure the long-term competitiveness of its settlers, uplift rural communities, and contribute meaningfully to Malaysia's national development agenda.

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Buy	*The stock's total return is expected to exceed 10% over the next twelve (12) months.*
Hold	*The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.*
Reduce	*The stock's total return is expected to fall below 0% or more over the next twelve (12) months.*
	Note: The total expected return of a stock is defined as the sum of: *the percentage difference between the target price and the current price; and* *the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.*
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