UOBKayHian

Sector – Update | Malaysia

Tuesday, 11 August 2026

Plantation

Fourth Straight Build, But The Pace Is Easing

Highlights

- MPOB's Jul 26 data showed a 3.3% rise in Malaysia's palm oil stockpiles to 2.63m tonnes, the highest for any July on record and above the 2.61m Reuters consensus. Production (1.79m tonnes) and exports (1.39m tonnes) both printed above consensus.
- Production should climb further into the September-October seasonal peak and we expect the build to extend through 3Q26, with stocks testing 3m tonnes by end-September.
- Maintain OVERWEIGHT, underpinned by structural demand growth from regional biofuel mandate expansion. Sector picks: SD Guthrie (BUY/Target: RM7.25) and KL Kepong (BUY/Target: RM24.65).

Analysis

- **MPOB's Jul 26 data.** Palm oil inventory rose to 2.63m tonnes (+3.3% mom), a fourth straight build and the highest July on record, above the 2.61m Reuters consensus and its highest level since Feb 26. The stock build-up has decelerated for two consecutive months (+5.2% in May, +4.8% in June, +3.3% in July). The stock/usage ratio eased to 1.50x from 1.56x, a second consecutive decline, indicating that absorption has continued to keep pace with the seasonal growth in supply.
- **Production rose 9.4% mom to 1.79m tonnes**, above the 1.76m consensus and the highest monthly output in seven months, despite being 1.1% below that of Jul 25. Peninsular Malaysia (+10.6% mom) and Sarawak (+16.9% mom) drove the increase, while Sabah slipped 1.0% mom. The output decline in Sabah is attributed to the lagged effect of its rainfall deficit seen in April.
- **Exports rose 14.5% mom to 1.39m tonnes**, above the 1.38m consensus and a second consecutive monthly increase. Cargo surveyor estimates placed July shipments up 12.1-19.5% mom, and the MPOB print landed close to the midpoint of that range. Indian restocking ahead of the festival season was a major swing factor, with India's total edible oil imports reaching a 10-month high in July.
- **Imports halved to 49,566 tonnes** (-51.9% mom) as the 103,113 tonnes seen in June reflected a rush by Indonesian sellers to move cargo ahead of Jakarta's B50 implementation. Meanwhile, implied domestic disappearance fell 10.8% mom to 365,871 tonnes, the lowest monthly reading since Sep 25.
- **Outlook.** Production should climb further into the September-October seasonal peak and we expect the build to extend through 3Q26, with stocks testing 3m tonnes by end-September. The offset is that absorption has improved for two consecutive months, so the pace of accumulation should stay slower than the headline production increase implies.

Analyst(s)

Amerul Iqmal
ameruliqmal@uobkh.com
+603 2147 1988

Malaysia Research Team
research@uobkh.com

OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Malaysia	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
KL Kepong	KLK MK	BUY	22.0	24.65
SD Guthrie	SDG MK	BUY	6.88	7.25

Source: Bloomberg, UOB Kay Hian

CPO Price Assumptions (RM/Tonne)

	CPO Price (RM/tonne)
2021	4,408
2022	5,088
2023	3,810
2024	4,180
2025	4,306
Our Forecast:	
2026F	4,500
CPO Price:	
MPOB @ 7 Aug 26	4511
BMD 3rd Month Contract	4677

Source: MPOB, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 7 Aug 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (lcy)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	HOLD	2.43	2.47	1.65	Dec-26	12.5	8.2	8.1	4.9	5.9	1759.3	0.8
Genting Plantations	GENP MK	HOLD	5.64	5.44	(3.55)	Dec-26	13.3	12.3	11.6	4.3	6.9	4755.0	1.0
IOI Corporation	IOI MK	BUY	4.57	4.9	7.22	Jun-26	18.9	18.7	16.7	2.5	12.7	26586.4	2.1
KL Kepong	KLK MK	BUY	22.0	24.65	12.05	Sep-26	29.1	15.2	13.5	2.9	5.8	23119.6	1.6
SD Guthrie	SDG MK	BUY	6.88	7.25	5.38	Dec-26	24.4	21.9	23.8	2.6	12.2	41494.3	2.3

Source: Bloomberg, UOB Kay Hian

MPOB'S Jul 26 Statistics

(m tonne)	Jul 25	Jun 26	Jul 26	mom % chg	yoy % chg	7M25	7M26
CPO Production	1.81	1.64	1.79	9.4	(1.1)	10.78	10.82
Palm Oil Domestic Use	0.46	0.41	0.37	(10.8)	(20.7)	2.63	2.55
Palm Oil Exports	1.33	1.22	1.39	14.5	4.8	8.28	9.14
Oleochemical	0.25	0.22	0.27	18.4	6.5	1.55	1.72
Biodiesel	0.05	0.00	0.03	496.7	(41.6)	0.20	0.16
Palm Oil Imports	0.06	0.10	0.05	(51.9)	(18.8)	0.54	0.45
Palm Oil Stocks	2.11	2.54	2.63	3.3	24.3	2.11	2.63

Source: MPOB, UOB Kay Hian

Jul 26 CPO Production By Region And State

(m tonne)	Jul 25	Jun 26	Jul 26	mom % chg	yoy % chg	7M25	7M26
Johor	0.30	0.28	0.29	5.2	(0.6)	1.68	1.71
Pahang	0.34	0.23	0.27	13.3	(22.3)	1.79	1.61
Perak	0.21	0.18	0.22	17.9	4.4	1.16	1.13
Negeri Sembilan	0.07	0.05	0.06	8.6	(21.1)	0.40	0.36
Selangor	0.06	0.05	0.06	19.4	2.2	0.33	0.32
Terengganu	0.05	0.04	0.05	11.6	(7.5)	0.23	0.26
Kelantan	0.05	0.03	0.03	0.3	(35.9)	0.21	0.19
Kedah	0.03	0.03	0.02	(4.8)	(21.8)	0.17	0.14
Other States	0.02	0.02	0.02	2.8	(13.4)	0.13	0.12
Pen Malaysia	1.13	0.92	1.01	10.6	(10.0)	6.10	5.84
Sabah	0.35	0.36	0.36	(1.0)	3.5	2.36	2.48
Sarawak	0.34	0.36	0.42	16.9	24.2	2.31	2.49
East Malaysia	0.69	0.72	0.78	7.9	13.7	4.68	4.97

Source: MPOB, UOB Kay Hian

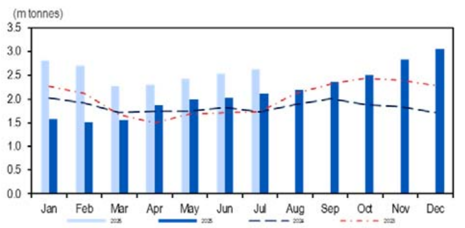
Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain constructive on the sector, underpinned by structural demand growth from regional biofuel mandates, including Indonesia's B50 policy. We keep our CPO price forecasts at RM4,500/4,400 per tonne for 2026/27 respectively.
- **Top picks.** We like SD Guthrie as it is a liquid big-cap play on the CPO backdrop, supported by its renewable energy and industrial park pivot. Kuala Lumpur Kepong is our laggard pick on a progressive downstream earnings recovery.

Sector Catalyst/Risk

- **Indonesian exports normalise steeply.** Danantara Sumberdaya Indonesia (DSI) is expected to become the country's sole export channel on 1 Jan 27, delayed from September, giving shippers reason to clear volume into 4Q26. DSI's price verification may also lift levy capture per tonne even where volumes do not recover.
- **A steep decline in crude oil price**. POGO exceeding US$70-85/tonne levels would leave levy collections short of the subsidy funding requirement.
- **B50 offtake undershoots.** Indonesian CPO absorption fell to 1.035m tonnes in May from 1.137m in April, against a required step-up of about 51% across 2H26.

Malaysia Palm Oil Production



Source: MPOB, UOB Kay Hian

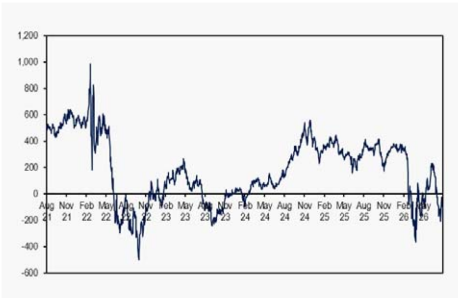
Rainfall By Region, Jan-Jul 26 (MM/MTH)

	Jan	Feb	Mar	Apr	May	Jun	Jul
North Pen.	12	77	45	138	306	168	144
East Pen.	49	111	75	84	269	179	178
West Pen.	62	200	208	233	205	223	308
Sabah	388	315	143	54	152	199	235
Sarawak	585	329	88	212	306	267	202
MALAYSIA	380	279	151	178	274	244	232

Colour: mm/mth vs optimum <100 100-150 150-200 200-300 >300

Note: Colour shows monthly rainfall against the 150-200mm/month optimum for oil palm. Source: CHIRPS, UOB Kay Hian

Palm Oil – Gasoil Spread (US$/Tonne)



Source: Bloomberg, UOB Kay Hian

CPO Price Sensitivity (Per RM100/Tonne)

Company	Net Profit Impact (%)
Hap Seng Plantations	8-9
Genting Plantations	7-8
IOI Corporation	4-5
KL Kepong	4-5
SD Guthrie	7-8

Source: UOB Kay Hian