Plantation

Fifth Straight Build As Exports Retreat

Highlights

- MPOB's Aug 26 data showed a 7.5% rise in Malaysia's palm oil stockpiles to 2.82m tonnes, the highest for any August on record. Production (1.82m tonnes) printed above our own survey, while exports (1.29m tonnes) fell far less than cargo surveyors implied.
- Stocks should keep building into the September-October seasonal production peak and we maintain our expectation for inventories to test 3m tonnes by end-September.
- Maintain OVERWEIGHT, underpinned by structural demand growth from the regional biofuel mandate expansion. Sector picks: SD Guthrie (BUY/Target: RM7.25) and KL Kepong (BUY/Target: RM24.65).

Analysis

- **MPOB's Aug 26 data.** Palm oil inventory rose to 2.82m tonnes (+7.5% mom), a fifth straight build, the highest August reading on record and the highest level since Dec 25. The build re-accelerated after two months of deceleration (+4.8% in June, +3.3% in July, +7.5% in August). The stock/usage ratio deteriorated to 1.69x from 1.49x, reversing two months of improvement, as absorption stopped keeping pace with the seasonal growth in supply.
- **Production rose 1.4% mom to 1.82m tonnes,** the highest monthly output in eight months, though 2.0% below that of Aug 25, and above our own survey, which had pointed to a 2-6% mom decline. Peninsular Malaysia (+2.5% mom) and Sarawak (+4.7% mom) drove the increase, while Sabah fell 5.6% mom, a second straight decline we continue to attribute to its earlier rainfall deficit. 8M26 output of 12.63m tonnes is flat yoy.
- **Exports fell 7.5% mom to 1.29m tonnes,** giving back most of July's 15.1% recovery, though the decline was far shallower than cargo surveyors implied with ITS estimating a 14.9% mom decline in full-month shipments. Indian buying normalised after July's festival restocking. Oleochemical shipments fell 12.7% mom to 233,545 tonnes and biodiesel rose 22.6% mom to 35,240 tonnes. 8M26 exports of 10.44m tonnes indicate an 8.7% yoy rise.
- **Imports were flat at 49,524 tonnes** (-0.1% mom), a second month at depressed levels after June's surge, when Indonesian sellers moved cargo ahead of Jakarta's B50 implementation. Implied domestic disappearance rose 4.8% mom to 375,769 tonnes but remains 24.7% below Aug 25.
- **Outlook.** Production should peak in September-October and we maintain our call for stocks to test 3m tonnes by end-September. August rainfall of 152mm/month was the lowest of 2026, with West Peninsular (108mm) and Sarawak (136mm) in deficit. More immediately, this build is export-led rather than supply-led; 8M26 production is flat yoy while exports are 8.7% higher.

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	22.74	24.65
SD Guthrie	SDG MK	BUY	6.20	7.65

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 @ 9 Sep 26	4,659
BMD 3rd Month Contract	4,966

Source: MPOB, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 10 Sep 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. (RM)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	HOLD	2.63	2.70	2.7	Dec-26	16.9	10.9	10.5	4.2	5.9	2,096	0.9
Genting Plantations	GENP MK	HOLD	6.02	6.10	1.3	Dec-26	15.3	12.9	12.9	4.5	6.9	5,420	1.1
IOI Corporation	IOI MK	BUY	4.79	5.15	7.5	Jun-27	19.9	17.5	16.8	2.7	12.7	30,172	2.2
KL Kepong	KLK MK	BUY	22.74	24.65	8.4	Sep-26	15.8	14.1	14.0	2.6	5.8	25,561	2.0
SD Guthrie	SDG MK	BUY	6.20	7.65	23.4	Dec-26	21.8	15.7	16.0	3.2	12.2	42,460	2.3

Source: Bloomberg, UOB Kay Hian

MPOB'S Aug 26 Statistics

(m tonne)	Aug 25	Jul 26	Aug 26	mom % chg	yoy % chg	8M25	8M26
CPO Production	1.85	1.79	1.82	1.4	(2.0)	12.63	12.63
Palm Oil Domestic Use	0.50	0.36	0.38	4.8	(24.7)	3.13	2.92
Palm Oil Exports	1.33	1.40	1.29	(7.5)	(2.3)	9.60	10.44
Oleochemical	0.23	0.27	0.23	(12.7)	1.1	1.78	1.96
Biodiesel	0.03	0.03	0.04	22.6	14.3	0.23	0.20
Palm Oil Imports	0.06	0.05	0.05	(0.1)	(15.4)	0.59	0.50
Palm Oil Stocks	2.20	2.63	2.82	7.5	28.2	2.20	2.82

Source: MPOB, UOB Kay Hian

Aug 26 CPO Production By Region And State

(m tonne)	Aug 25	Jul 26	Aug 26	mom % chg	yoy % chg	8M25	8M26
Johor	0.30	0.29	0.29	(1.5)	(3.5)	1.98	1.99
Pahang	0.35	0.27	0.30	12.5	(14.8)	2.14	1.91
Perak	0.19	0.22	0.20	(6.7)	4.8	1.36	1.34
Negeri Sembilan	0.07	0.06	0.07	11.2	(5.8)	0.46	0.42
Selangor	0.05	0.06	0.06	(3.7)	7.2	0.38	0.37
Terengganu	0.05	0.05	0.05	14.1	5.3	0.28	0.31
Kelantan	0.04	0.03	0.03	11.3	(26.8)	0.25	0.22
Kedah	0.03	0.02	0.02	(6.5)	(14.3)	0.20	0.17
Other States	0.02	0.02	0.02	(6.9)	(5.4)	0.15	0.14
Pen Malaysia	1.11	1.01	1.04	2.5	(6.1)	7.21	6.88
Sabah	0.36	0.36	0.34	(5.6)	(6.0)	2.72	2.82
Sarawak	0.39	0.42	0.44	4.7	13.4	2.71	2.93
East Malaysia	0.75	0.78	0.78	(0.1)	4.0	5.42	5.75

Source: MPOB, UOB Kay Hian

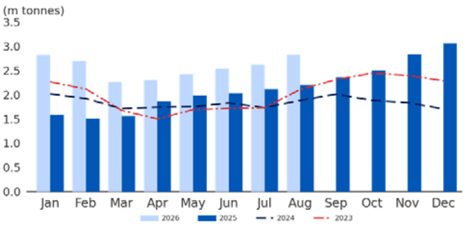
Valuation/Recommendation

- **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; MPOB's August average was RM4,548.50/tonne.
- **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

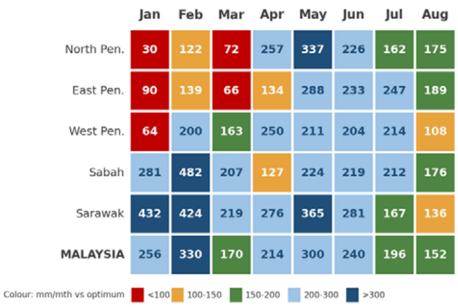
- **Indonesian exports normalise steeply.** Danantara Sumberdaya Indonesia (DSI) is expected to closely monitor commodity exports starting 1 Jan 27, giving exporters reason to frontload their shipments in 4Q26. DSI's price verification may also lift levy capture per tonne even where volumes do not recover.
- **A steep decline in crude oil prices.** POGO exceeding US$70-85/tonne levels would leave levy collections short of the subsidy funding requirement.
- **B50 offtake undershoots.** A full-year B50 mandate implies a run-rate closer to 1.55m tonnes a month, so 2H26 offtake still needs to rise about 37% from GAPKI's reported June level of 1.13m tonnes.

Malaysia Palm Oil Production



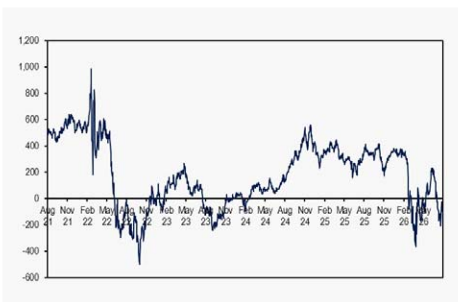
Source: MPOB, UOB Kay Hian

Rainfall By Region, Jan-Aug 26 (MM/Month)



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