

13 April 2026

Plantation

Rising Food Security Concerns

OVERWEIGHT



By **Khoo Teng Chuan** | khootc@kenanga.com.my,

March 2026 production uptick to 1.377m MT (+7% MoM, -1% YoY) probably marks the start of this year's seasonal upcycle. Despite stronger MoM production, inventory closed 16% lower in March at 2.267m MT (still +45% YoY) and came in 7% below Kenanga, but 3% above consensus, expectation. The MoM dip in inventory was due a surge to near 10-year high in exports. That the strong March exports of 1.551m MT (+41% MoM, +54% YoY) occurred alongside firmer March CPO price of RM4,321 per MT (up 6% MoM, -9% YoY from unusually strong RM4,724 last year), this inelasticity in exports to higher prices suggests rising food security concerns arising from the Middle East conflict.

As such, whether the current Middle East conflict sees a ceasefire or otherwise, supportive demand for edible oils including palm oil is expected as buyers stock up for another quarter or two. Maintain CY26F CPO price of RM4,250 per MT and RM4,200 in CY27. Stayed **OVERWEIGHT** - planters offering value and growth are preferred such as **KLK (OP; TP:RM24.50)**, **PPB (OP; TP:RM14.85)**, and **TSH (OP; TP:RM1.55)**.

MPOB Mar 2026 Highlights

Mil MT	Mar-26	MoM %	YoY%
Opening Inventory	2.704	▼ -4%	▲ 79%
Production	1.377	▲ 7%	▼ -1%
Imports	0.067	▼ -12%	▼ -45%
Exports	(1.551)	▲ 41%	▲ 54%
Domestic Usage	(0.329)	▼ -11%	▼ -27%
Closing Inventory	2.267	▼ -16%	▲ 45%

Source: MPOB, Kenanga Research

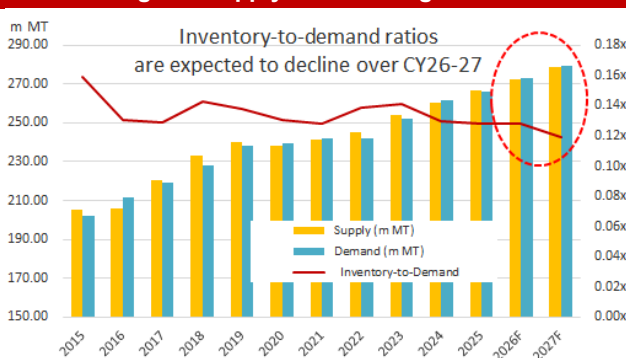
Mar 2026 vs. Historical 10-Year (2016-25)

Mil MT	Mar-26	10Y-Low	10Y-Avg	10Y-High
Production	1.377	1.219	1.423	1.672
Exports	1.551	1.006	1.310	1.619
End Inventory	2.267	1.444	1.828	2.920

Source: MPOB, Kenanga Research

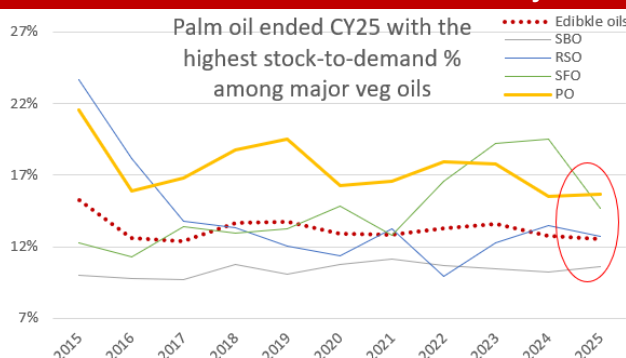
CY26 seasonal upcycle has likely begun. 1Q is often the slowest production quarter and 1QCY26 looks to be so with output in Feb and Mar hugging the past 10-year production trendline. March's closing inventory stayed above historical average but it is the lowest YTD and we expect Malaysian inventory to approach the 10-year average in 2Q due to stronger exports as countries build up reserves in the event of supply or shipping disruptions.

CY26-27 Veg. Oil Supply Looks to Tighten Further



Source: Oilworld, FAO, Kenanga Research

Palm Oil Started CY26 With the Most Inventory

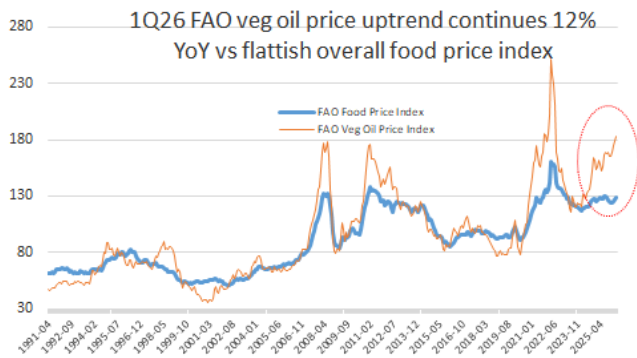


Source: Oilworld, FAO, Kenanga Research

The Middle East conflict has reignited food (and fuel) security concerns. From availability of fertiliser as some exporters are reducing or halting sales to higher fertiliser costs, up >20% since end February, new planting are affected while rising energy cost is crippling distribution costs and affecting the supply of affordable packaging material for food. Even worse for edible oils, CY26 global supply was already looking tight even before the conflict. With the spike in energy prices, the demand for bio-diesel has surged along with the demand for edible oil such as palm oil. Indonesia has already announced that its bio-diesel admixture will gradually be raised from B40 to B50 beginning 1 Jul this year with full implementation come CY28. Fully implemented, this increase alone is estimated to cut 3m-4m MT of palm oil which would otherwise be available as food.

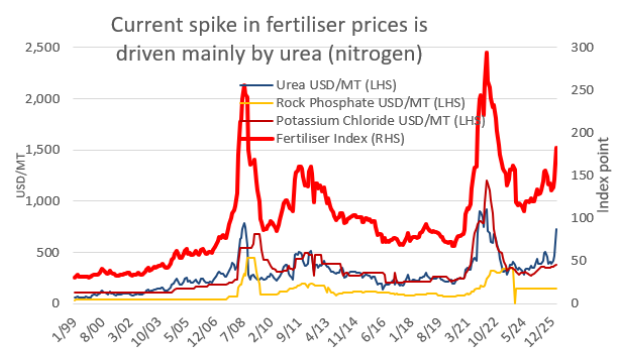
Brighter outlook for upstream. Although planters face rising fertiliser and energy costs, the sector is expected be a net gainer as (a) edible oil prices have surged with CPO prices rising from RM4,019 in Jan to RM4,500-RM4,700 per MT in Apr (b), consumption is expected to resilient and grow 3%-4% YoY or more depending on bio-diesel demand, (c) Malaysia started CY26 with high palm oil inventory thanks to record harvest in CY25, and (d) many planters have locked in fertiliser at lower prices up till mid-CY26 with SDG even locking-in its entire year's requirement already.

Firm Global Edible Oil Prices in General



Source: FAO, Kenanga Research

Firm Global Edible Oil Prices in General



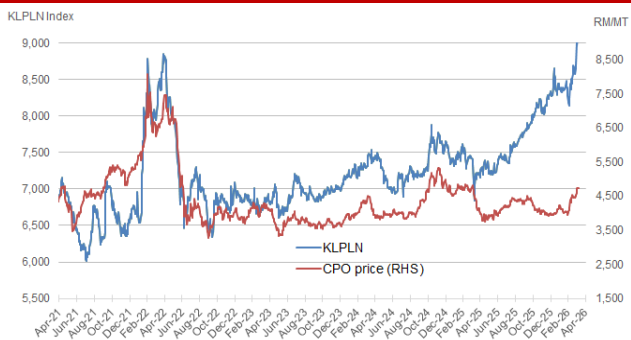
Source: World Bank, Kenanga Research

Downstream visibility remains poor. Basic oleochemical prices have risen by 10%-15% since Jan CY26 but so has input prices such as CPO and PKO while demand is expected to soften in view of a slower global economic outlook.

Non-plantation, especially property, is still expected to grow. SDG's big push into industrial property is the most notable in the sector and expects RM500m-RM700m in related profits over CY26-27. KLK and GENP are also nudging their real estate arms while IOI's palm wood and EFB-to-pulp JV projects should start contributing in CY27-28.

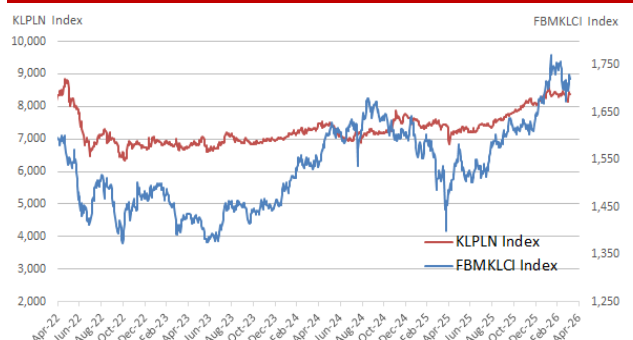
Stay OVERWEIGHT. CPO prices have soared and likely to stay elevated for most of 1HCY26 with costs staying manageable. Therefore, most planters should see good earnings in CY26 with tighter margins in CY27 but still robust profits. Valuations have crept up but still not demanding; hence, our OVERWEIGHT call. Planters offering value and earnings growth such as **KLK (OP; TP: RM24.50)**, **PPB (OP; TP:RM14.85)**, and **TSH (OP; TP:RM1.55)** are our pick, and we also like **IOICORP (OP; TP: RM4.55)** for its sector leading ROE, and **UMCCA (OP; TP: RM6.70)** for its encouraging ROE uptick.

KL Plantation Index vs. CPO (RM/MT)



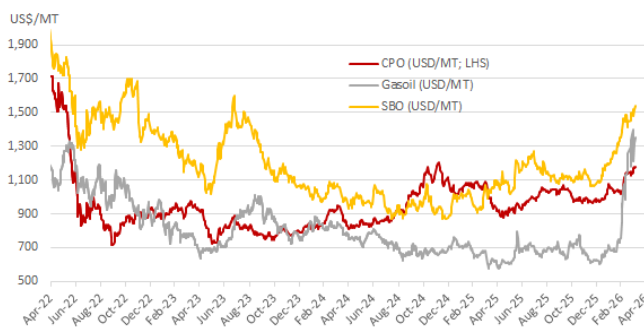
Source: Bloomberg, Kenanga Research

KL Plantation Index vs. KLCI



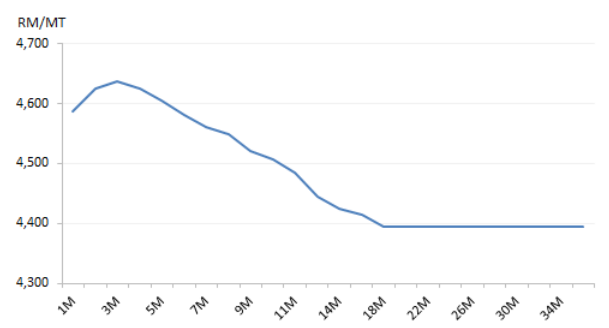
Source: Bloomberg, Kenanga Research

CPO vs. Soyabean Oil vs. Gasoil Prices



Source: Bloomberg, Kenanga Research

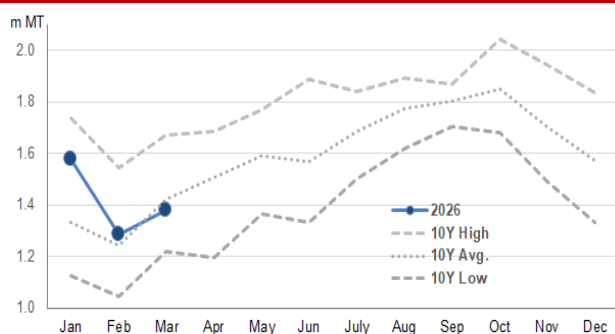
36-Month Forward Palm Oil Curve



Source: Bloomberg, Kenanga Research

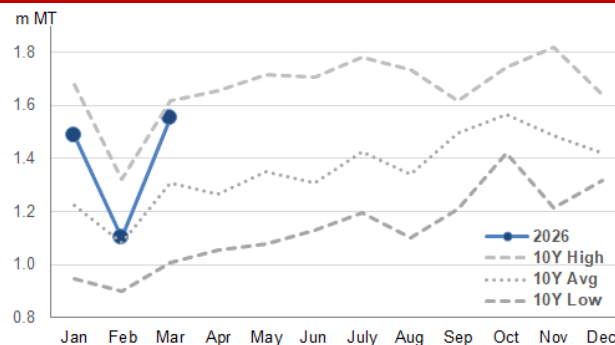
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10-Year Monthly Production Trend ('000 MT)



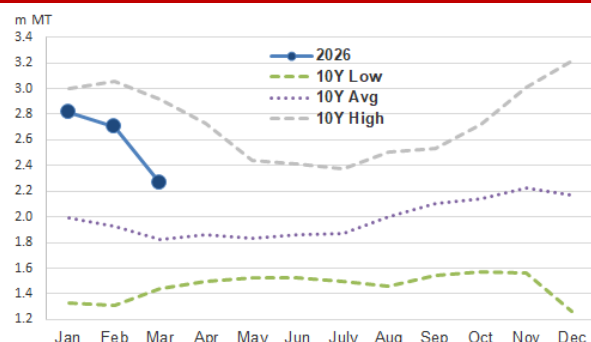
Source: MPOB, Kenanga Research

10-Year Monthly Exports Trend ('000 MT)



Source: MPOB, Kenanga Research

10-Year Monthly Inventory Trend ('000 MT)



Source: MPOB, Kenanga Research

Kenanga's Expectation for Next Month

Kenanga Est '000 MT	Apr-26	MoM	YoY
Opening Inventory	2,267	-16%	45%
Production	1,446	5%	-14%
Imports	40	-40%	-31%
Total Supply	3,753	-10%	13%
Exports	(1,396)	-10%	27%
Domestic Usage	(400)	22%	18%
Total Demand	(1,796)	-4%	25%
Closing Inventory	1,957	-14%	5%
Stock/Usage Ratio	-9.1%		

Source: Kenanga Research

MPOB March 2026 Production, Exports & Inventory

'000 MT	Mar-26	Feb-26	Diff.	MoM %	Mar-25	YoY%
Opening Inventory	2,704	2,815	(112)	-4%	1,512	79%
Production	1,377	1,284	93	7%	1,387	-1%
Imports	67	76	(9)	-12%	122	-45%
Total Supply	4,147	4,176	(29)	-1%	3,021	37%
Exports	(1,551)	(1,103)	(449)	41%	(1,006)	54%
Domestic Usage	(329)	(370)	41	-11%	(453)	-27%
Total Demand	(1,880)	(1,472)	(408)	28%	(1,459)	29%
Ending Inventory	2,267	2,704	(436)	-16%	1,563	45%

Source: MPOB, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
PLANTATION																	
GENTING PLANTATIONS BHD	MP	5.29	5.50	4.0%	4,746.0	Y	12/2026	46.9	46.1	18.8%	-1.8%	11.3	11.5	0.9	7.8%	30.0	5.7%
HAP SENG PLANTATIONS HOLDINGS	UP	2.31	2.00	-13.4%	1,847.3	Y	12/2026	17.6	17.4	0.9%	-1.0%	13.1	13.3	0.8	6.4%	8.0	3.5%
IOI CORP BHD	OP	4.25	4.55	7.1%	26,712.1	Y	06/2026	24.7	24.6	22.8%	-0.5%	17.2	17.3	2.0	12.9%	11.0	2.6%
KUALA LUMPUR KEPONG BHD	OP	21.94	24.50	11.7%	24,433.7	Y	09/2026	133.2	143.0	22.8%	7.3%	16.5	15.3	1.5	10.2%	60.0	2.7%
PPB GROUP BHD	OP	11.96	14.85	24.2%	17,014.3	Y	12/2026	117.7	119.1	23.7%	1.2%	10.2	10.0	0.7	6.9%	42.0	3.5%
SD GUTHRIE BHD	MP	5.99	5.55	-7.3%	41,425.1	Y	12/2026	29.7	27.7	3.2%	-6.7%	20.2	21.6	2.0	12.4%	15.0	2.5%
TA ANN HOLDINGS BHD	MP	5.50	4.40	-20.0%	2,422.5	Y	12/2026	46.4	45.8	-4.3%	-1.4%	11.9	12.0	1.3	10.8%	40.0	7.3%
TSH RESOURCES BHD	OP	1.37	1.55	13.1%	1,717.5	Y	12/2026	12.6	13.0	-9.5%	3.1%	10.8	10.5	0.8	7.9%	5.0	3.6%
UNITED MALACCA BHD	OP	5.89	6.70	13.8%	1,235.5	Y	04/2026	79.3	76.5	43.0%	-3.5%	7.4	7.7	0.8	10.8%	20.0	3.4%
Simple Average					121,554.0					15.2%	-0.4%	15.6	15.6	1.2	9.6%		3.9%

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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