Plantation

Weak Production, Exports Are Weaker Still

OVERWEIGHT

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By Khoo Teng Chuan I khootc@kenanga.com.my,

MPOB reported May 2026 output of 1.516m MT (-7% QoQ, -14% YoY), below the 10-year average for May of 1.59m MT. However, a near 10-year low exports in May of 1.106m MT (-15% MoM, -20% YoY) was a result of buyers rushing for Indonesian palm oil before the country transitions to a centralized state body taking over exports in 2HCY26. Consequently, Malaysia ended May with inventory approaching a 10-year high of 2.428m MT (+5% QoQ, +22% YoY) or 7% above Kenanga, but within 3% of consensus estimates. Contributing to the export softness was still firm CPO price of RM4,499 per MT (-2% MoM, +16% YoY) in May. With rising bio-diesel demand and growing risks of a severe El Nino, supportive prices for edible oils including palm oil are likely into 2HCY26 and potentially into CY27. Maintain CY26F CPO price of RM4,250 per MT and RM4,200 in CY27. Stay **OVERWEIGHT** with planters offering value and growth being preferred in the order of **IOI (OP; TP: RM4.55)**, **KLK (OP; TP:RM24.50),** and **TSH (OP; TP:RM1.60)**.

MPOB May 2026 Highlights

Mil MT	May-26	MoM %	YoY%
Opening Inventory	2.309	▲ 2%	▲ 24%
Production	**1.516**	▼ **-7%**	▼ **-14%**
Imports	0.044	▼ -42%	▼ -36%
Exports	**(1.106)**	▼ **-15%**	▼ **-20%**
Domestic Usage	(0.336)	▼ -8%	▲ 2%
Closing Inventory	**2.428**	▲ **5%**	▲ **22%**

Source: MPOB, Kenanga Research

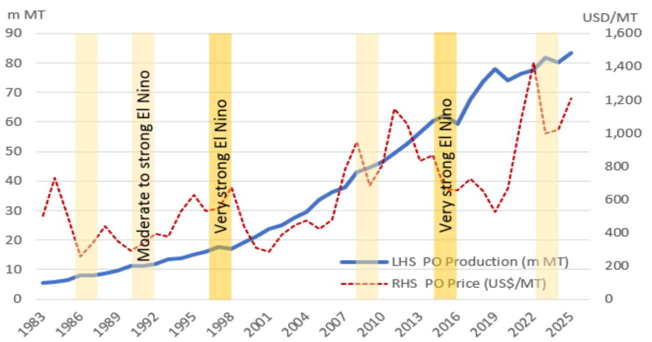
May 2026 vs. Historical 10-Year (2016–25)

Mil MT	May-26	10Y-Low	10Y-Avg	10Y-High
Production	**1.516**	1.365	1.589	1.772
Exports	**1.106**	1.079	1.348	1.715
End Inventory	**2.428**	1.522	1.838	2.444

Source: MPOB, Kenanga Research

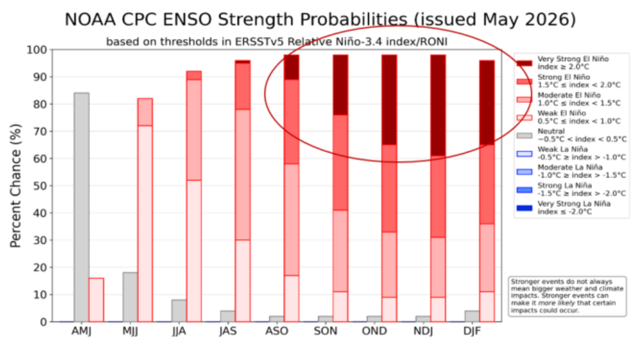
Strong YTD production. Jan – May cumulative production of 7.385m MT was strong, at 1.5% above the same period last year as well as the 10-year average of 7.274m MT. However, it is too early to conclude that CY26 harvest will beat last year's record-output of 20.28m MT. Monthly harvests started strong in Jan and Feb lifted the YTD production but output has since March fallen behind last year's level. Overall, CY26 production still looks good but could "normalize" as the year progresses.

El Nino Is Often Supportive of Palm Oil Prices



Source: Oilworld, FAO, Kenanga Research

1/3 Chance of A Very Strong El Nino Over Nov - Jan



Source: NOAA, Kenanga Research

Possible risk of severe El Nino. An El Nino is almost certain to occur in 2H of CY26 based on assessment by the US National Oceanic and Atmospheric Administration (NAOO), where the question now lies on its severity. Unless it is classed as "very strong", whereby the sea temperature rises 2ºC or higher above average, a moderate or even strong El Nino does not affect palm oil output much. However, due to pro-long dryness (>6 months) a "very strong" El Nino can disrupt oil palm flowering hence can reduce the following year's harvest, by between 2-9% in the past thus causing CPO prices to rise, by 5-10%. NOAA had raised the chances of a very strong El Nino from 25% in April to 33% in May. While the probability remains below 50% the conditions are there and the risk is on the increase.

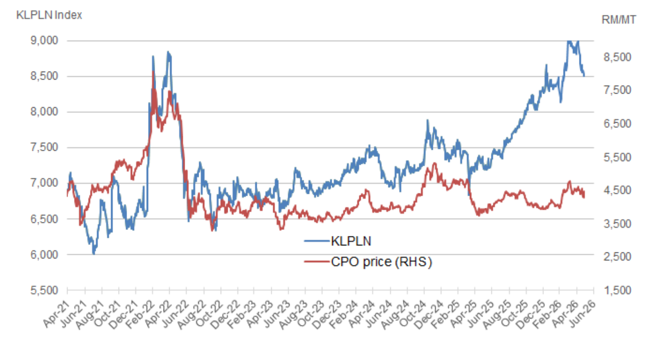
Stronger upstream outlook. CPO prices have surged from RM4,019 in Jan to RM4,499 per MT in May due to higher bio-diesel demand following the Middle East conflict. Although fertiliser and energy costs have risen, the plantation sector is still likely to net gain from the conflict. At the same time, the likelihood of CPO prices staying firm beyond 1HCY26 and into FY27 is also increasing due to the rising possibility of a severe El Nino taking shape later this year.

Downstream margins to stay poor. After initially rising when the Middle East conflict started, basic oleochemical prices have softened as demand outlook remains uncertain. Non-plantation, especially property, is expected to grow. SDG's big push into industrial property is the most notable in the sector and it expects RM500m-RM700m in related annual profit 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 from CY27-28 onwards.

Stay OVERWEIGHT. Current sector valuations of 15x PER and 1.2x PBV are far from stretched with Indonesian risk possibly already reflected, while the possibility of El Nino upside is only starting to be factored in. We maintain an **OVERWEIGHT** call for the sector.

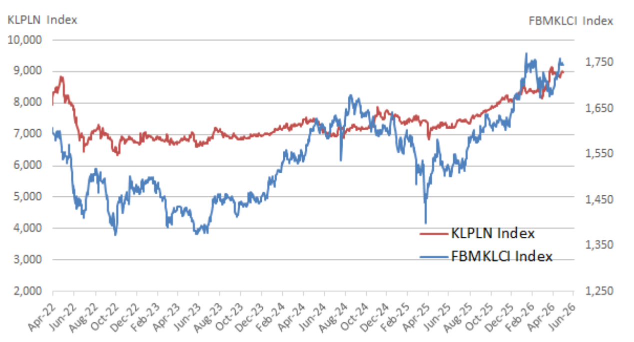
Our picks include IOICORP given its likely strong finish to its end-June FY26 results along with sector leading ROE and limited earnings exposure from Indonesia (12%). Among larger planters, KLK offers more CPO price sensitive earnings due to minimal downstream contribution while rating discounts to other big planter suggests its Indonesian risk has partly been priced in. TSH is a pure upstream CPO-sensitive play with long-term expansion underway and a valuation which has probably discounted for its Indonesian footprint. PPB (OP; TP: RM12.90) could be oversold given its decade low valuations hence worth considering for the longer term even though some near-term uncertainties over WIL's Indonesian operation remains. UMCCA (OP; TP: RM6.70) offers rising FFB production and improving ROE as its Indonesian estates mature and we believe the risk is largely accounted for given its attractive valuation.

KL Plantation Index vs. CPO (RM/MT)



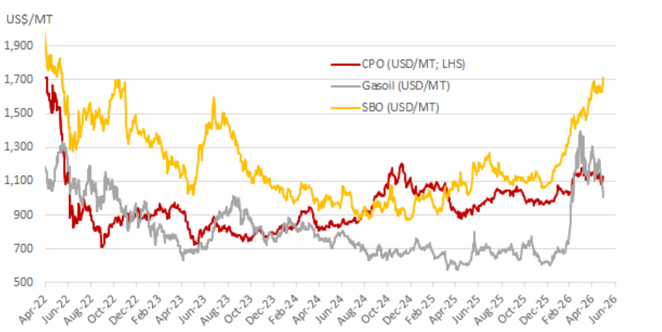
Source: Bloomberg, Kenanga Research

KL Plantation Index vs. KLCI



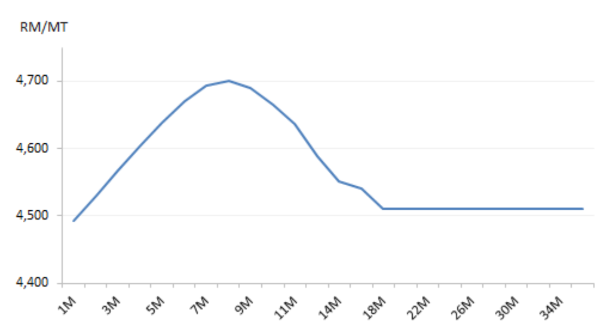
Source: Bloomberg, Kenanga Research

CPO vs. Soyabean Oil vs. Gasoil Prices



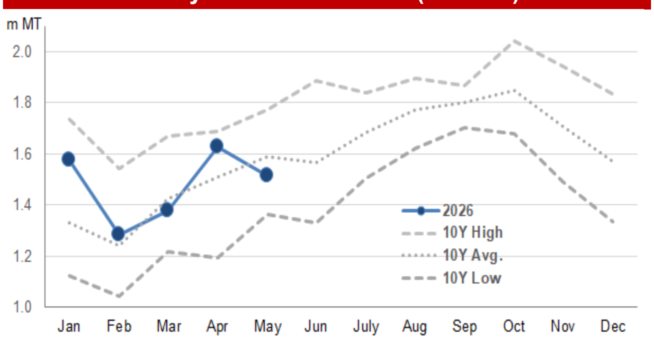
Source: Bloomberg, Kenanga Research

36-Month Forward Palm Oil Curve



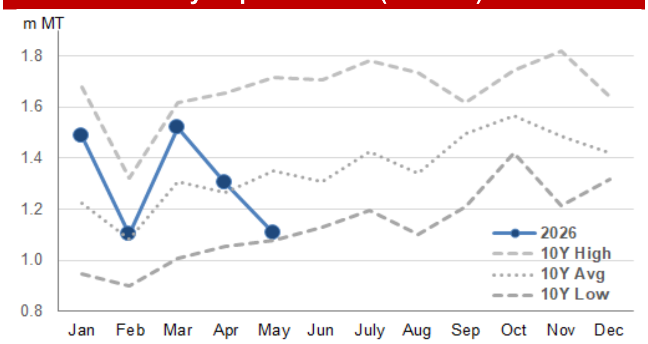
Source: Bloomberg, Kenanga Research

10-Year Monthly Production Trend ('000 MT)



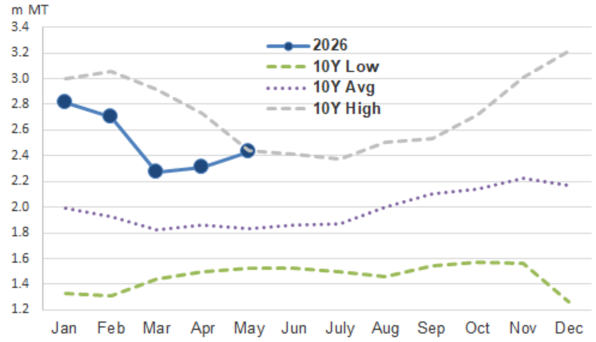
Source: MPOB, Kenanga Research

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	Jun-26	MoM	YoY
Opening Inventory	2,428	5%	22%
Production	1,501	-1%	-11%
Imports	50	14%	-29%
Total Supply	3,979	3%	6%
Exports	(1,161)	5%	-8%
Domestic Usage	(400)	19%	-14%
Total Demand	(1,561)	8%	-9%
Closing Inventory	*2,418*	*-0%*	19%

Source:Kenanga Research

MPOB May 2026 Production, Exports & Inventory

'000 MT	May-26	Apr-26	Diff.	MoM %	May-25	YoY%
Opening Inventory	2,309	2,271	39	2%	1,866	24%
Production	**1,516**	**1,630**	**(113)**	**-7%**	**1,772**	**-14%**
Imports	44	76	(32)	-42%	69	-36%
Total Supply	**3,870**	**3,976**	**(107)**	**-3%**	**3,706**	**4%**
Exports	(1,106)	(1,303)	197	-15%	(1,387)	-20%
Domestic Usage	(336)	(364)	28	-8%	(329)	2%
Total Demand	**(1,442)**	**(1,667)**	**225**	**-13%**	**(1,716)**	**-16%**
Ending Inventory	***2,428***	***2,309***	***118***	***5%***	***1,990***	***22%***
Stock/Usage Ratio	14.0%	11.5%			9.7%	

Source: MPOB, Kenanga Research

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)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	MP	5.15	5.50	6.8%	4,620.4	Y	12/2026	44.0	44.7	11.5%	1.5%	11.7	11.5	0.9	7.8%	28.0	5.4%
HAP SENG PLANTATIONS HOLDINGS	MP	2.13	1.95	-8.5%	1,703.3	Y	12/2026	17.5	16.2	0.4%	-7.3%	12.2	13.2	0.8	5.3%	8.0	3.8%
IOI CORP BHD	OP	4.28	4.55	6.3%	26,900.7	Y	06/2026	24.7	24.6	22.8%	-0.5%	17.3	17.4	2.0	12.9%	11.0	2.6%
KUALA LUMPUR KEPONG BHD	OP	20.48	24.50	19.6%	22,807.7	Y	09/2026	133.2	143.0	22.8%	7.3%	15.4	14.3	1.4	10.2%	60.0	2.9%
PPB GROUP BHD	OP	9.52	12.90	35.5%	13,529.8	Y	12/2026	108.3	114.8	13.9%	5.9%	8.8	8.3	0.6	6.6%	42.0	4.4%
SD GUTHRIE BHD	MP	6.03	5.80	-3.8%	41,701.8	Y	12/2026	29.7	27.7	3.2%	-6.7%	20.3	21.8	2.0	12.4%	15.0	2.5%
TA ANN HOLDINGS BHD	MP	5.27	4.40	-16.5%	2,321.2	Y	12/2026	46.4	45.8	-4.3%	-1.4%	11.4	11.5	1.2	10.8%	40.0	7.6%
TSH RESOURCES BHD	OP	1.14	1.60	40.4%	1,418.0	Y	12/2026	11.7	12.3	-16.7%	5.2%	9.8	9.3	0.7	7.3%	5.0	4.4%
UNITED MALACCA BHD	OP	5.83	6.70	14.9%	1,223.0	Y	04/2026	79.3	76.5	43.0%	-3.5%	7.4	7.6	0.7	10.8%	20.0	3.4%
Simple Average					**116,225.8**					**12.6%**	**0.6%**	**15.2**	**15.1**	**1.2**	**9.4%**		**4.1%**

Source: Bloomberg, Kenanga Research

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.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my