Plantation

IPOC 2026: Heavy Now, Tight From 2Q27

Highlights

- Speakers at the Indonesian Palm Oil Conference (IPOC) on 12-13 Nov 26 expect higher prices and lower Indonesian exports in 2027, but most placed the rally from Feb-Mar 27.
- We expect Indonesian exports to fall in 2027 due to requirement of the 50% biodiesel blend (B50) and El Niño-linked cut supply, and Malaysian stocks to draw down from October's record level.
- Maintain OVERWEIGHT. Sector picks: SD Guthrie (BUY/Target: RM8.30), Genting Plantations (BUY/Target: RM7.42) and KL Kepong (BUY/Target: RM28.50).

Analysis

- **The 2026 El Niño rally came too early.** Bursa Malaysia Derivatives' (BMD) third-month futures fell to RM4,447 per tonne on 13 November from RM5,018 in late-Aug 26 as funds exited. Godrej International expects palms to stay in a high-yield phase until Jan 27, and the Pakistan Edible Oil Refiners Association (PEORA) sees prices at RM4,200-4,500 in 1Q27. We expect prices to stay range-bound in 1Q27.
- **The widest drought since 1981 hits yields from Feb 27.** Segi Enam Advisors estimates that 31% of Indonesian CPO in Jun-Oct 26 came from areas with at least three months of rainfall below 50mm (1997: 14%). S&P Global Energy (Platts) sees 2027 output down 8% in Indonesia and 6% in Malaysia. We expect a milder hit than most speakers, as two of the four past El Niño episodes we studied brought no meaningful yield loss.
- **B50 takes oil from exports, and its funding is tight.** The Indonesian Palm Oil Association (GAPKI) expects biodiesel use of 17.4m tonnes in 2027 (2026: 14.7m). Export levies fund B50 through the plantation fund (BPDP). At a Brent price of US$70 per barrel, the subsidy would absorb all levy income, according to the Institute for Economic and Social Research at Universitas Indonesia (LPEM FEB UI). A higher levy would push buyers towards Malaysian oil.
- **Buyers are shifting to Malaysian oil.** Malaysia overtook Indonesia as India's top palm oil supplier in Nov 25-Oct 26. Cargill expects China's imports of refined, bleached and deodorised (RBD) palm olein, mostly Indonesian, to fall to 1.6m tonnes in 2027 from 2.7m tonnes.
- **The Indonesian state is taking a bigger role.** From 1 Jan 27, a state-owned enterprise must approve every export contract under the single-gateway export system (DSI), and exporters must keep all export proceeds onshore for 12 months. Teething problems could slow shipments and tighten supply early in 2027.

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OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Genting Plantations	GENP MK	BUY	4.87	7.42
KL Kepong	KLK MK	BUY	20.86	28.50
SD Guthrie	SDG MK	BUY	6.04	8.30

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
2027F	4,700
CPO Price:	
MPOB Oct 26 average	4,406
BMD 3rd Month Contract (13 Nov)	4,447

Source: MPOB, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 13 Nov 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	BUY	2.22	3.05	37.4	Dec-26	15.4	10.3	8.7	5.0	6.3	1,777.2	0.9
Genting Plantations	GENP MK	BUY	4.87	7.42	52.4	Dec-26	12.8	10.2	9.2	6.0	6.1	4,367.7	1.0
IOI Corporation	IOI MK	BUY	4.41	5.50	24.7	Jun-27	19.0	15.2	14.7	2.9	13.2	27,715.0	2.0
KL Kepong	KLK MK	BUY	20.86	28.50	36.6	Sep-26	30.2	15.0	12.8	2.9	(4.3)	23,292.2	1.9
SD Guthrie	SDG MK	BUY	6.04	8.30	37.4	Dec-26	17.6	15.2	13.8	3.6	15.4	41,774.7	2.0

Source: Bloomberg, UOB Kay Hian

2027 Price Calls At IPOC 2026

Speaker	Call (per tonne)	Timing
Glenauk Economics	BMD CPO tests RM5,000	By mid-27
ISTA Mielke (Oil World)	RBD olein FOB Malaysia US$1,300	1H27
Godrej International	BMD CPO RM4,500-5,000, then higher	To Apr 27, then 2Q-3Q27
PEORA	BMD CPO RM4,200-4,500	1Q27
UOB Kay Hian	CPO RM4,500 / RM4,700	2026 / 2027 average

Note: FOB = free on board. BMD third-month RM4,447 per tonne at midday 13 Nov 26.
Source: IPOC 2026, Reuters, UOB Kay Hian

Speakers' Palm Oil Balance Forecasts, 2026F-2027F

(m tonne)	Forecaster	2026F	2027F	% chg
Indonesia				
Production (CPO+PKO)	GAPKI	61.8	59.9	(3.1)
Production (CPO)	Platts	54.55	50.15	(8.1)
Domestic use	GAPKI	27.1	30.2	11.4
- of which biodiesel	GAPKI	14.7	17.4	18.4
Exports	GAPKI	33.9	29.7	(12.3)
End stocks	Platts	5.28	3.28	(37.9)
Malaysia				
Production	Platts	20.6	19.4	(5.8)
End stocks	Platts	3.5	2.0	(42.9)

Note: PKO = palm kernel oil. Platts' Malaysian production is CPO.
Source: GAPKI, S&P Global Energy (Platts), IPOC 2026

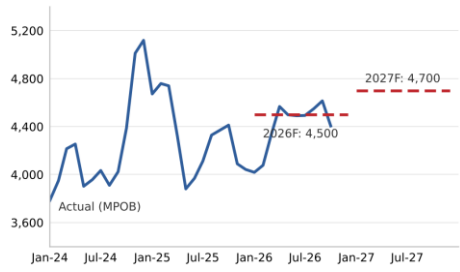
Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain constructive and keep our CPO price forecasts at RM4,500 and RM4,700 per tonne for 2026 and 2027 respectively. Three factors should support prices next year. Indonesia's B50 mandate lifts domestic biodiesel use and leaves less oil for export. El Niño yield losses should show from 2Q27, after Indonesia's widest drought since 1981. Malaysian stocks should draw down from record levels as buyers turn to Malaysian oil.
- **Top picks.** We like SD Guthrie as a liquid big cap play against the CPO backdrop, supported by its renewable energy and industrial park pivot. KL Kepong is our laggard pick on a progressive downstream earnings recovery.

Sector Catalyst/Risk

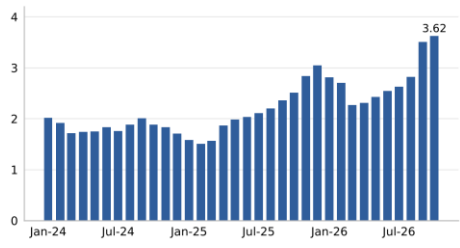
- **Catalyst: Malaysian Palm Oil Board (MPOB) November data, due around 10 Dec 26.** A smaller stock build than the market expects would point to a drawdown from early-27.
- **Catalyst: Indonesian yield data for Feb-Mar 27.** A sharp fall would add upside to our 2027 forecast.
- **Risk: A smaller El Niño impact.** If yields hold, Malaysian stocks would draw down more slowly and put our 2027 forecast at risk.
- **Risk: Indonesian levy cuts.** Indonesian cargoes surge when the levy falls, as Pakistan's record October arrivals showed.

CPO Price And Our Annual Forecasts (RM/Tonne)



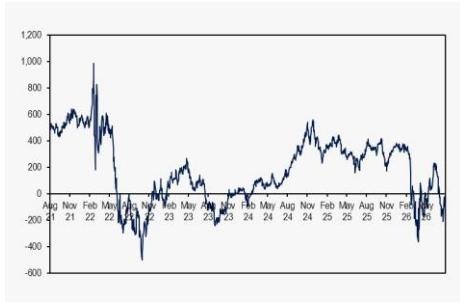
Note: Monthly MPOB local delivered average; dashed lines are our annual average forecasts.
Source: MPOB, UOB Kay Hian

Malaysian Palm Oil Stocks (M Tonnes)



Source: MPOB, 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

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