

Plantation

Raising The Floor: What A RM2,000 Minimum Wage Would Cost

Highlights

- The new monthly minimum wage rate is due to be announced in Budget 2027 on 9 October, with the Cabinet having agreed on 30 September to exempt MSMEs for now. Figures of RM2,000-2,200 have been circulating as possible new minimum wage rates.
- At a RM2,000 minimum wage, a 17.6% rise, we estimate a pre-tax cost of RM26m-87m a year per listed planter, or about RM110 per tonne of crude palm oil (CPO). After tax, that is 2.6% of last year's net profit for SD Guthrie and 18.5% for Hap Seng Plantations.
- The exemption keeps smaller estates and smallholder suppliers at the RM1,700 minimum wage rate, shifting the cost onto listed estates. RM2,000 remains below a RM2,235 living wage estimated for plantation workers, but narrows the gap before the EU Forced Labour Regulation comes into effect.

Analysis

- **The minimum wage decision lands on 9 October.** Human Resources Minister R. Ramanan said on 29 September that his Cabinet paper on the minimum wage had been submitted but no rate had been agreed. The statutory review under the National Wages Consultative Council (NWCC) Act will be due in Feb 27, two years after the rise to RM1,700.
- **What a RM2,000 minimum wage will cost listed estates.** We apply the RM300 monthly increase to every worker in each company's Malaysian workforce, plus the 6.8% in employer contributions to the Employees Provident Fund (EPF), Social Security Organisation (SOCSSO) and Employment Insurance System (EIS), resulting in a total cost of RM3,843 per worker a year (please refer to table overleaf). Across the 439,594 workers in Malaysia's estate sector, this works out to about RM1.7b a year of additional labour costs before the MSME carve-out. We assume full pass-through, as planters recalibrate piece and daily rates. As a cross-check, Sime Darby Plantation estimated in 2018 that a RM500 increase would add RM185 per tonne of CPO; if this is pro-rated to RM300, it would amount to RM111/tonne, which is in line with our estimate of about RM110/tonne.

Analyst(s)

Amerul Iqmal

ameruliqmal@uobkh.com
+603 2147 1988

Malaysia Research Team

research@uobkh.com

OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
SD Guthrie	SDG MK	BUY	6.05	8.30
Genting Plant.	GENP MK	BUY	5.54	7.42
KL Kepong	KLK MK	BUY	21.42	28.50

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 1 Oct 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025 (x)	2026F (x)	2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (RMm)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	BUY	2.68	3.05	13.8	Dec-26	16.0	11.6	9.8	4.0	6.3	1991.2	0.9
Genting Plantations	GENP MK	BUY	5.54	7.42	33.9	Dec-26	14.2	12.8	11.4	4.4	6.1	5,427.2	1.1
IOI Corporation	IOI MK	BUY	4.67	5.50	17.7	Jun-27	19.7	17.2	16.5	2.7	13.2	29,980.4	2.3
KL Kepong	KLK MK	BUY	21.42	28.50	33.1	Sep-26	29.8	16.2	13.8	2.9	-4.3	25,101.9	2.0
SD Guthrie	SDG MK	BUY	6.05	8.30	37.2	Dec-26	17.3	15.7	14.3	3.2	15.4	43,223.2	2.3

Source: Bloomberg, UOB Kay Hian

Cost Of A RM2,000 Minimum Wage For Malaysian Operations

Company	Basis	Planted area (ha)	Ha per worker	Workers	Pre-tax cost (RMm)	After-tax cost (RMm)	Net profit* (RMm)	% of net profit
SD Guthrie	Ratio	295,138	13.0	22,700	87.3	66.3	2,503	2.6
IOI Corp	Ratio	146,506	9.0	16,280	62.6	47.5	1,682	2.8
KL Kepong	Headcount	121,110	6.5	18,620	71.6	54.4	817	6.7
Genting Plant.	Headcount	n.a.	n.a.	6,791	26.1	19.8	354	5.6
Hap Seng Plant.	Headcount	35,379	4.5	7,915	30.4	23.1	125	18.5

Note: Ratio refers to the company's disclosed land-to-labour ratio applied to its Malaysian planted area (SD Guthrie at Dec-23); headcount refers to the company's disclosed Malaysian workforce, including mills and staff, with hectares per worker implied (KL Kepong: 45,407 plantation workforce × 41% Malaysian area share). RM3,843 per worker a year: RM300 a month plus 6.8% employer contributions. Tax at 24%, full year.

*Last reported financial year (FY) as of Dec-25, except for IOI (Jun-26) and KLK (Sep-25).

Source: Respective companies, Malaysian Palm Oil Board, UOB Kay Hian estimates

- **The MSME carve-out splits the wage floor.** Smaller estates and smallholder suppliers that qualify as MSMEs would stay at a minimum wage threshold of RM1,700. Smallholders farm 26.4% of Malaysia's oil palm area and are a main source of third-party fresh fruit bunch (FFB) purchases among listed companies. Purchased FFB costs will therefore remain flat. The trade-off is a compliant RM1,700 tier beneath the RM2,000 that is paid by listed plantation companies.
- **The gap to a living wage narrows.** A 2025 field study published by Fulcrum, ISEAS-Yusof Ishak Institute, put a Sabah plantation worker's living wage at RM2,235 excluding housing, and found that few of its 46 respondents achieved the minimum wage in normal hours. A RM2,000 minimum wage closes 56% of that gap. Government-linked companies (GLC) and government-linked investment companies (GLIC) have adopted a RM3,100 living wage for permanent staff, but SD Guthrie's own policy covers about 8,000 non-plantation employees in its first phase to Dec 26. With the EU Forced Labour Regulation coming into effect on 14 Dec 27, salaries that only reach the floor through long overtime would pose a market-access risk.
- **Mechanisation is the offset.** MPOB data showed that harvester productivity rose 14% to 1.60 tonnes per man-day in 2025, though a record national crop flattered the gain. Sabah lags at 1.23 tonnes against 1.78 tonnes in Peninsular Malaysia, which helps explain Hap Seng Plantations' higher cost per tonne. SD Guthrie runs at 13-13.5ha per worker against a national estate average of about 9 ha. Replanting rose 67% to 191,000ha in 2025, the highest since at least 2014, giving growers a window to adopt mechanisation-friendly layouts. Foreign worker EPF contributions and a pending multi-tier levy add to the case.

Valuation/Recommendation

- **Maintain OVERWEIGHT.** About RM110/tonne amounts to 2.3% of our 2027 CPO assumption of RM4,700/tonne. A RM2,000 minimum wage floor would not change our sector call.
- **Exposure varies across our picks.** SD Guthrie carries the lowest relative cost in our coverage. Hap Seng Plantations carries the highest as it is a pure Sabah upstream name with a smaller profit base and about 4.5 ha per employee. It faces roughly RM240/tonne of its own CPO, more than twice the sector figure. We flag this as a risk against our positive stance.

Sector Catalyst/Risk

- **Catalyst: Budget 2027 on 9 October,** which would reveal the minimum wage rate, the effective date and how MSMEs are defined in agriculture.
- **Risk: A higher wage floor.** Every further RM100 increase raises our cost estimates by one-third.

Oil Palm Estate Workforce ('000)



Source: Malaysian Palm Oil Board

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