

Malaysia Palm Oil Board (MPOB) August palm oil performance

- CPO production went down slightly by 0.9% MoM and rose by 6.39% YoY to 1.81mn tons. This makes CPO production to grow by 13.57% YTD as of August 2017.
- On the other hand, exports posted at 1.49mn tons, rose by 6.43% MoM while decreased by 18.45% YoY. This brought YTD August exports to a +2% YoY.
- Inventory level recorded at 1.94mn tons, showing an increase of 8.8% MoM and 32.64% YoY. YTD August 2017, inventory still declined by 12.56% YoY.

Despite CPO production was lower than expected in August 2017, production should continue to climb considering the high production cycle is not to end yet, and estimated to reach its peak in October or November. On exports, we look forward to increasing demand in September anticipating the Chinese Mid-Autumn and Diwali festival which both will take place in October. According to Intertek Testing Services, palm oil shipments for 1-10 Sep accounted for 355th tons increased by 6.9%, while SGS recorded the shipments at 396.7th tons rose by 9.3%.

In recent weeks, CPO price has experienced an increase of 5% due to lower than expected production and concern on weather issues in US and South America. However, the hike is less likely to persist as production will remain high in the upcoming months, demand potentially plunge after the festivals, and the expectation of abundant soybeans and other edible oils supply. In addition, we also notice the narrowing gap between palm and soybean oil, currently at around USD100 (vs USD150 in the early September) which will negatively impact CPO demand. **Hence, we maintain our NEUTRAL call on the plantation sector for the time being.**

Wilbert

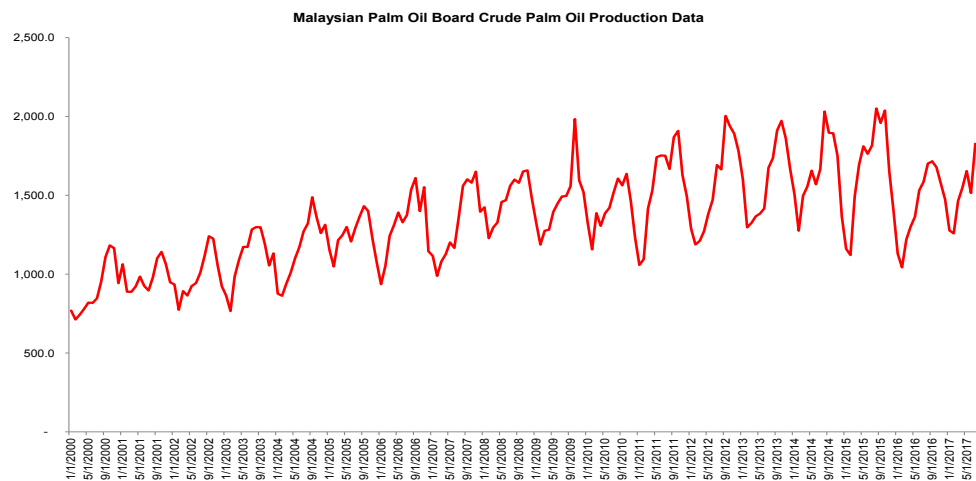
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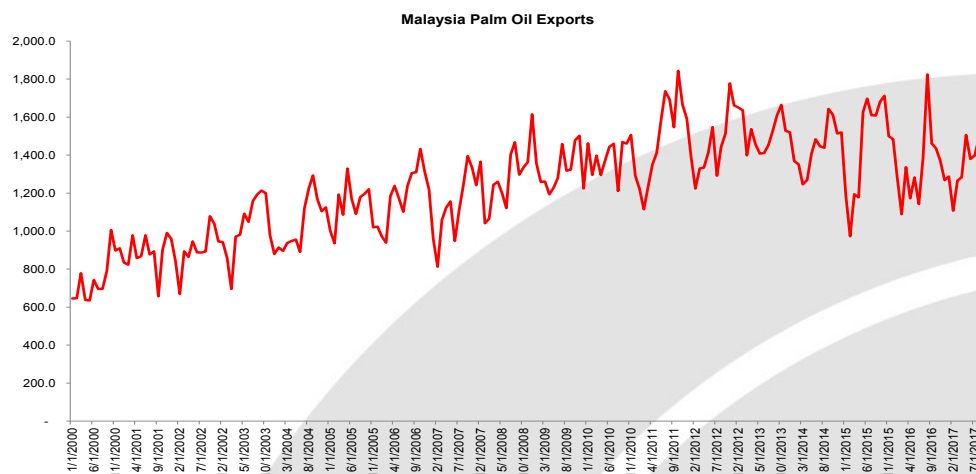


MPOB production data



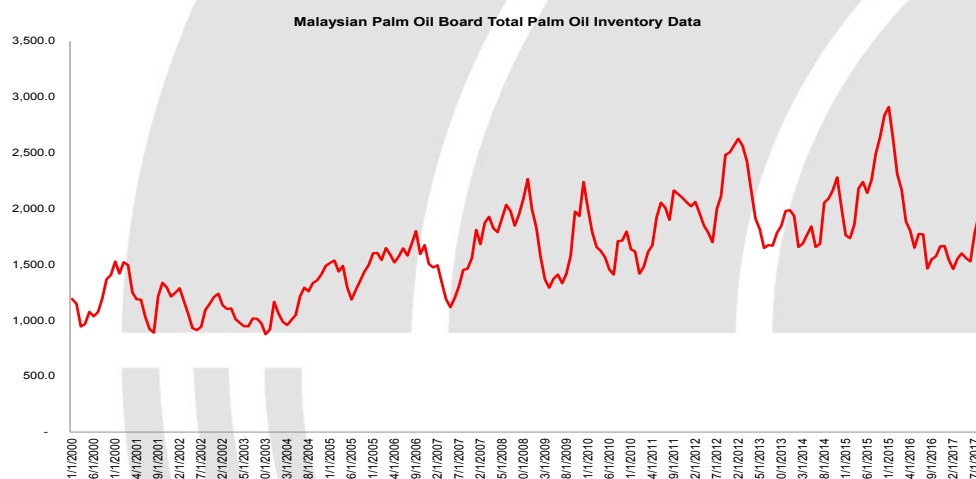
Source: MPOB, Bloomberg, Sinarmas Investment Research

MPOB export data



Source: MPOB, Bloomberg, Sinarmas Investment Research

MPOB inventory data



Source: MPOB, Bloomberg, Sinarmas Investment Research

CPO Future Active Contract Price



Source: Bloomberg, Sinarmas Investment Research

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