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## Current CPO prices promise a good year, says TH Plantations

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KUALA LUMPUR: TH Plantations Bhd, the pilgrim fund Lembaga Tabung Haji's (LTH) listed arm, said 2009 would be a good year for the company if crude palm oil (CPO) prices stabilise at the current level.

The benchmark three-month futures contract for CPO is trading between RM2,650 and RM2,700 per tonne presently. LTH had a 67.89% stake in TH Plantations as at Dec 31, 2008.

TH Plantations managing director

Datuk Rashidi Omar said one of the biggest cost considerations for the company was the price of fertiliser, which skyrocketed in tandem with the price of commodities last year.

"The single largest contributor to our costs is fertiliser. Looking at the fourth quarter of 2008, we thought our cost of production this year was going to be about RM1,700 (per tonne of CPO produced) because fertiliser cost was very high at the time.

"Suddenly, in the first quarter of 2009, fertiliser price plunged from RM4,000 to RM2,000 per tonne, but we can see that the price is inching

upwards again. If you look at our first-quarter costs, it (cost of production) was below the RM1,300 mark... and should be lower than RM1,300 at year-end."

Rashidi added that TH Plantations could still remain profitable should CPO prices suddenly drop again as it would be able to temporarily reduce its cost of production below the RM1,000 mark should the need arise.

TH Plantations chairman Tan Sri Dr Yusof Basiran added that efforts from both government and industry players to reduce the supply of CPO had helped to boost its price.

He said there were also other signs that the increased demand for CPO would be sustainable.

"Stock levels have come down substantially, which has helped the market regain confidence. There are shortages of supply not only in palm but other oils as well," he said.

"Coupled with petroleum prices going up, sentiments are becoming bullish again. We are not in the business of forecasting prices, but the trend is fairly positive right now."

TH Plantations' revenue for 2008 came in at RM243.4 million, up 39% from RM175.6 million in 2007. Net profit was up 37% to RM84.1 million

from RM61.2 million.

Part of its cash flow was bolstered by the management fee it received from its parent company. TH Plantations manages LTH's palm estates in Indonesia and its teak and rubber estates in Sabah.

TH Plantations received RM21.4 million from LTH in management fees for 2008, around RM17 million of which was from the latter's estates in Indonesia. This was up from RM18.7 million in 2007.

LTH owns about 82,000ha of contiguous palm estate land in Indonesia, of which 70,000ha has been planted.