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Felda set to become major plantation stock (HL)

Zaidi Isham Ismail

THE listing of Federal Land Development Authority (Felda), which owns plantation land of size just slightly smaller than Kedah, will position the group among the Kuala Lumpur Stock Exchange's (KLSE) top counters that

could attract significant interest in the local bourse.

Analysts and industry observers all agree that the flotation of the company will attract investors, including foreigners, who would have a wider choice of big companies to invest in.

"When fund managers think of plantation stocks, they will now think of Malaysia's Felda," an analyst told Business Times yesterday.

Prime Minister Datuk Seri Dr Mahathir Mohamad in tabling Budget 2004 last Friday announced the proposed listing of Felda, which would transform

the 47-year-old body into a firm of international size.

Dr Mahathir said the listing would benefit the Felda group, settlers, cooperatives and state governments that had provided the land for the development of plantations under Felda.

Second Finance Minister Datuk Dr Jamaludin Jarjis said Felda is set to be a new interest for investors along with Tenaga Nasional Bhd, Telekom Malaysia Bhd, Malayan Banking Bhd and Malaysian International Shipping Corp Bhd.

Felda Holdings Sdn Bhd is the owner of Malaysia's and possibly the world's largest plantation company. Its plantation unit, Felda Plantations

Sdn Bhd, manages 811,140ha which are planted with oil palm, rubber, sugar cane, cocoa and other crops.

Felda's rubber landbank totals 149,444ha, sugar cane 4,663ha, cocoa 1,567ha and others 282,000ha.

According to filings by the Malaysian Palm Oil Association, as at 2000,

Golden Hope Plantations Bhd came second in terms of plantation landbank with an estimated 120,000ha while IOI Corp Bhd was third with 110,000ha.

Kumpulan Guthrie Bhd was ranked fourth with 93,885ha, followed by Sime Darby Bhd's Consolidated Plantations Bhd which owned 73,651ha. Other major

players include Kuala Lumpur Kepong Bhd (which owned 79,859ha), Boustead Estate Agency (70,978ha), Tradewinds Malaysia Bhd (59,238ha) and PPB Oil Palms Bhd (57,726ha). Boustead does not own the plantations but rather acts as a manager for private companies or individuals.

The Government is still the biggest co-owner of oil palm estates in Malaysia through Felda and other government agencies with a sizeable hectareage. They are the Federal Land Consolidation and Rehabilitation Authority and the Rubber Industry Smallholders Development Authority which

have 154,000ha and 37,000ha respectively.

Kumpulan Guthrie, however, is still the leading palm oil company in Malaysia if its Indonesian Minamas plantations are taken into account,

giving the group a total landbank of more than 350,000ha.

Kuala Lumpur City Securities Asset Management Sdn Bhd chief investment officer Connie Ong said investors can now look forward to having another large-cap stock added to the list of plantation companies on the local stock exchange.

Analysts say the plan is now very much at the preliminary stage and they are not sure whether Felda Holdings, Felda Plantations or Felda's other 13 subsidiaries will be the listed entity.

"Not very much is known at this stage until the Government appoints a merchant banker who will then consult the Securities Commission before making an announcement," an analyst said.

However, the analyst added that the attractiveness of Felda hinges very much on prevailing market sentiments as well as its competitiveness to other plantation companies.

"Investors may not buy Felda if the sector is not attractive enough due to depressed palm oil prices. Sheer size does not guarantee big investments."

Meanwhile, analysts are mixed on whether smaller plantation companies such as KLK, Golden Hope and PPB might lose out to Felda due to its sheer size.

"Smaller plantation companies may be overlooked by Felda but that may not necessarily be the case. The small companies can equally compete with Felda by having the best production, high yields, best management and planting practices," the analyst said.

Another analyst said the listing may speed up the on-going merger of plantation companies under Permodalan Nasional Bhd which include Kumpulan Guthrie, Sime Darby, Island & Peninsular Bhd and Golden Hope.

Established in July 1956, Felda's land schemes now have about 105,000 families with a total of about one million family members in 275 land schemes in 11 states.