Plantation

China's Soyoil Surplus: Peaking Before It Bites

Highlights

- China turned into a net exporter of soybean oil in 2025, after record soybean imports left its crushers with more oil than its home market could absorb. Its soybean oil exports tripled to 776,000 tonnes in 9M26, and India's share rose to 47% from 32% in 2025.
- The volumes are small against India's needs. Chinese customs data show 477,000 tonnes shipped to India in Nov 25-Sep 26, accounting for about 8% of India's record 5.65m tonnes of soybean oil imports. Palm oil's share of India's vegetable oil imports rose to 48% from 45% in Nov 25-Jul 26.
- China's official forecasts point to a smaller surplus in 2026/27, with soybean imports down 7.6% and edible oil exports down to 760,000 tonnes as Beijing shrinks the sow herd. China's palm oil imports rose 24.9% in 9M26, mostly from Indonesia.
- Maintain OVERWEIGHT.

Analysis

- **Record crushing has turned China into a soybean oil exporter.** China imported a record 111.83m tonnes of soybeans in 2025, and the General Administration of Customs of China (GACC) shows a further 86.18m tonnes in 9M26, level with a year earlier. GACC data show soybean oil exports rose to 561,000 tonnes in 2025 from 126,000 tonnes in 2024, with India taking 32% after buying none in 2024. Exports reached 776,000 tonnes in 9M26, three times a year earlier, and India's share rose to 47%. The US Department of Agriculture's (USDA) Beijing office expects record soybean oil exports of 1m tonnes in Oct 25-Sep 26, as crushing for meal outpaces demand for cooking oil.
- **Chinese soybean oil acts as a price cap in India, with limited volume.** GACC recorded 477,000 tonnes of soybean oil shipped to India in Nov 25-Sep 26, about 8% of the 5.65m tonnes of soybean oil and 3% of all vegetable oils that the Solvent Extractors' Association of India (SEA) shows India imported in Nov 25-Sep 26. Palm oil still gained ground, with imports up 11.5% to 5.75m tonnes in Nov 25-Jul 26. Chinese crude soybean oil left for India at US$1,178-1,193 per tonne free on board (FOB) in Jul-Sep 26, in line with Argentine soybean oil at US$1,198 for Nov 26 shipment. Malaysian palm olein's FOB discount to Argentine soybean oil was only US$52-80 per tonne for Nov-Dec 26 shipment on 3 November.

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OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
SD Guthrie	SDG MK	BUY	5.93	8.30
Genting Plant.	GENP MK	BUY	5.00	7.42
KL Kepong	KLK MK	BUY	21.08	28.50

Source: Bloomberg, UOB Kay Hian

China's Vegetable Oil Trade (m tonnes)

	2025	Jan-Sep 26	yoy (%)	2026/27F
Soybean imports	111.83	86.18	0.0	95.5
Soybean oil exports	0.56	0.78	+201	1.00*
to India	0.18	0.36	+1,549	-
Edible oil exports	0.69	0.98	+190	0.76
Palm oil imports	2.58	2.17	+24.9	3.70*
Edible oil imports	6.76	4.90	+1.4	7.70

*Note: Calendar years, except 2026/27F (Oct 26-Sep 27), which is CASDE except *USDA. No forecast is published for exports by destination. Soybean oil is HS 1507 (crude and refined).*
Source: GACC, China Agriculture Outlook Committee, Ministry of Agriculture and Rural Affairs, USDA, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 4 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. (RM)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	BUY	2.24	3.05	36.2	Dec-26	13.4	9.7	8.2	4.8	6.3	1,664.3	0.8
Genting Plantations	GENP MK	BUY	5.00	7.42	48.4	Dec-26	12.8	11.6	10.3	4.9	6.1	4,898.2	1.0
IOI Corporation	IOI MK	BUY	4.44	5.50	23.9	Jun-27	18.7	16.4	15.7	2.8	13.2	28,503.8	2.2
KL Kepong	KLK MK	BUY	21.08	28.50	35.2	Sep-26	29.3	15.9	13.6	2.9	-4.3	24,703.5	2.0
SD Guthrie	SDG MK	BUY	5.93	8.30	40.0	Dec-26	17.0	15.4	14.0	3.3	15.4	42,365.9	2.3

Source: Bloomberg, UOB Kay Hian

- **The surplus should shrink in 2026/27.** China's October China Agricultural Supply and Demand Estimates (CASDE) put 2026/27 soybean imports at 95.5m tonnes, down 7.6% from 103.3m tonnes, with crush at 94m tonnes and edible oil exports at 760,000 tonnes, below the pace of the first nine months of 2026. The government has ordered the breeding sow herd cut to 36.5m, 3.1m fewer than at end-25, which reduces soybean meal demand.
- **China's own palm oil demand has recovered, mostly from Indonesia.** GACC data showed palm oil imports of 2.17m tonnes in 9M26, up 24.9%. Indonesia supplied 94% of China's refined palm olein imports, so Malaysian growers gain little directly. Buying rose even though soybean oil futures on the Dalian Commodity Exchange (DCE) were Rmb762/tonne cheaper than palm olein futures on 29 September. With China's commercial palm oil stocks about 60% above a year earlier, we expect its buying to slow in 4Q26.

Valuation/Recommendation

- **Maintain OVERWEIGHT.** We keep our CPO price assumptions of RM4,500 per tonne for 2026 and RM4,700 per tonne for 2027. Chinese soybean oil caps palm oil's upside in India, but our 2027 assumption rests on El Niño cutting output and drawing stocks down from an estimated 3.7m tonnes at end-October. 2027 crude palm oil futures (FCPO) averaged about RM4,760 on 2 November, down from RM4,883 on 6 October. Our sector picks remain SD Guthrie, Genting Plantations and KL Kepong.

Sector Catalyst/Risk

- **Risk: China crushes more than planned.** If the sow herd cut is slower and USDA's 108m-tonne import forecast proves right, Chinese soybean oil exports could pass 1m tonnes a year, competing with palm oil at an equal 11% Indian duty.
- **Risk: China's palm oil restocking reverses.** China's commercial palm oil stocks are about 60% above a year earlier; slower buying would leave more Indonesian oil to compete in India.

India's Soybean Oil Imports By Origin (m tonnes)

Oil year	2025/26
Argentina	2.66
Brazil	1.23
China*	0.48
US	0.00
Total	5.65
China share (%)	8.4

*Note: SEA oil-year data to September. *GACC exports to India, Nov 25-Sep 26.*
Source: SEA, GACC, UOB Kay Hian

Malaysian Palm Oil Balance (m tonnes)

m tonnes	Aug 26	Sep 26	Oct 26F
Production	1.82	2.11	2.17
Imports	0.05	0.06	0.06
Exports	1.29	1.22	1.77
Domestic use	0.38	0.26	0.30
Closing stocks	2.82	3.51	3.67

Note: October production applies the midpoint of the UOB Kay Hian October production survey (+1% to +5% month on month).
Source: MPOB, ITS, UOB Kay Hian estimates

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