

# TRIM Commodities Comments

## Summary on USDA Feb'11 Agricultural Report

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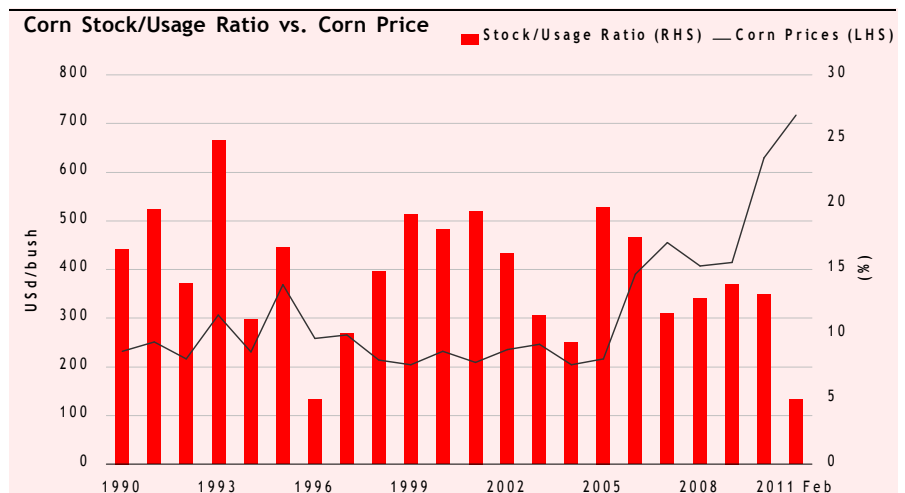
Almost all soft commodity counters experienced a price rally in the last week leading to the anticipated US Department of Agricultural (USDA) report on 9th Feb'11, that indicated further cuts on ending stock forecasts, due to poor harvest / production affected by the wet weather. Looking forward, we expect overall soft commodities complex to show signs of price peaking patterns in the following months, and eventually softens in 2H11, as weather may start to abate from here on.

#### World Agricultural Ending Stock and Stock/Usage Ratio

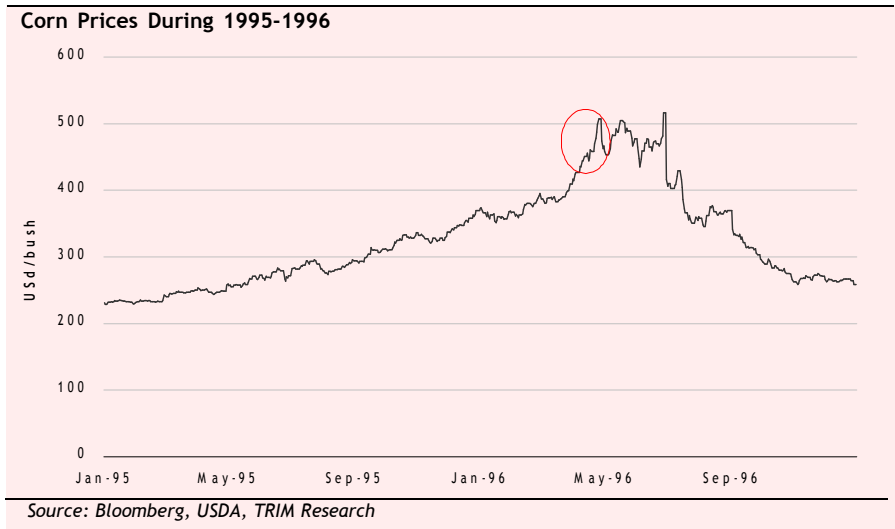
Year	Wheat		Corn		Rice		Soybean	
	End Stock	Stck/Usgr	End Stock	Stck/Usgr	End Stock	Stck/Usgr	End Stock	Stck/Usgr
	mn tons	(%)	mn tons	(%)	mn tons	(%)	mn tons	(%)
2005	152.6	21.3	130.8	17.2	73.2	18.0	48.1	17.9
2006	149.8	20.5	123.9	15.9	76.0	18.4	53.4	19.1
2007	130.2	17.8	110.1	13.5	75.0	17.9	63.1	21.3
2008	124.7	17.1	131.4	15.1	80.6	18.9	52.9	17.1
2009	166.6	21.4	147.8	17.1	91.7	21.1	44.1	14.8
2010	197.4	25.1	147.1	16.3	94.5	21.7	60.2	18.2
2011 Dec	176.7	22.3	130.0	14.0	94.8	19.6	60.1	17.0
2011 Jan	178.0	22.5	127.0	13.7	94.4	19.5	58.3	16.5
2011 Feb	177.8	22.5	122.5	13.2	93.9	19.4	58.2	16.4

Source: USDA

- USDA cut its projections on corn's global ending stock for 2010/2011 by 4.5mn tons in its Jan'11 projections, with most of the decrease coming from US, making the country's stock/usage ratio to 5.0%. The last time US stock/usage ratio hit the level was back in 1995/1996 period, Corn prices then rallied in 2Q96. We are expecting the same for corn in this cycle.



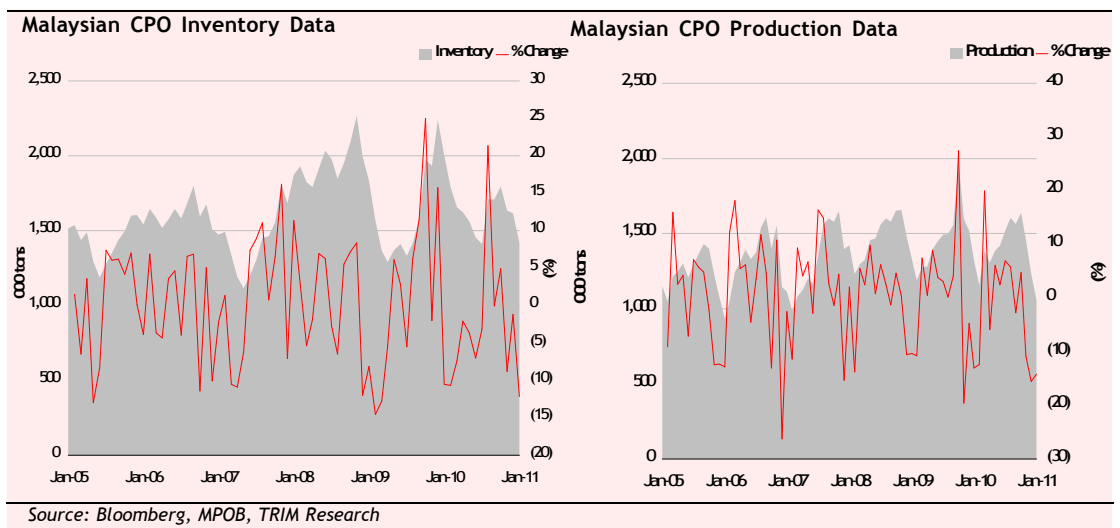
Source: Bloomberg, USDA, TRIM Research



- ❑ Global ending stock projection for rice is slightly lowered by 0.5mn tons due to lower production coming from Indonesia, Sri Lanka, Japan and Philippines after facing a huge challenges due to excessive rainfall and floods.
- ❑ No significant change made on soybean and wheat ending stock projection compared to Jan'11 number. However, it is still 3.2% and 10% YoY lower, respectively. Moreover, Chinese drought will boost wheat price higher as importers and speculators may prompt the world's biggest wheat consumer to boost purchases. 42% of the total wheat planted area (within China's 8 major producing provinces) have been hit by dry spells that may last into Spring.

**CPO: Malaysian Inventory Dropped for 3 Consecutive Months**

Malaysian CPO inventory continued to drop to 1,4mn tons in Jan'11, based on data released by Malaysian Palm Oil Board last week. It dropped 12.2% MoM, marking the largest decline since Mar'09 and 29.1% lower compared to Jan'10 inventory level. Poor production has become the main culprit for the low inventory level. Besides of entering the low production profile based on its seasonality, abnormal wet weather has continued to disrupt palm production. The country only managed to produce 1.06mn tons of CPO in Jan'11, the biggest drop since 2004 (excluding 2008 economic abnormality) with 14.2% MoM declined. Looking at its 5 years historical trend, we expect the lower MoM production to continue in Feb'11, creating more tightness in CPO supply. On the longer term, we stick to our 2011 Yearbook view that production will bottom sometime in 2Q11. Maintain our short term bullish for the sector, preferring stocks with high volume growth potential as we expect CPO price will start to ease in 2Q11.

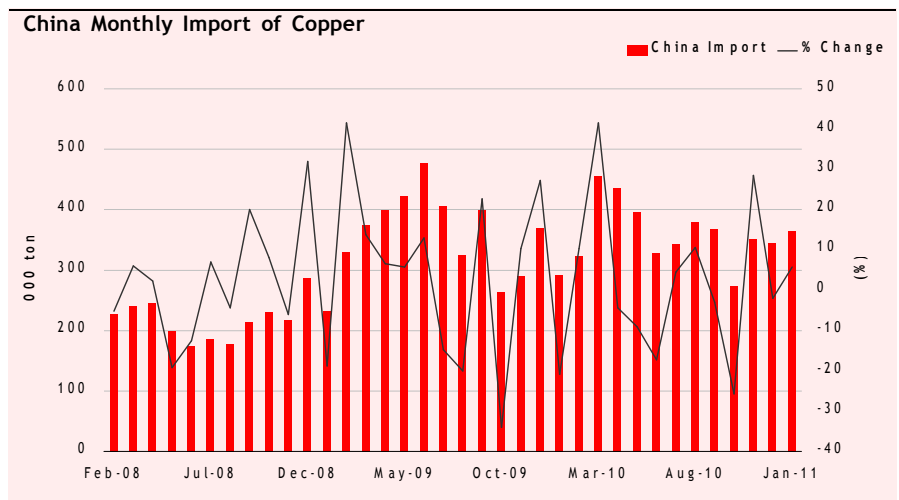


**Coal: India May Shift Focus to Africa for the Fuel**

Bloomberg reported that Indian power companies may shift their focus to countries like South Africa and Botswana for sourcing the raw material needed after scouting coal in Indonesia and Australia. Indian Power Ministry may facilitate the import of foreign coal or acquisition of overseas blocks. We understand the country's hunger for coal and therefore searching any possibilities to secure the fuel at any regions. However, considering geographical advantages, coal characteristics, and low cash cost of production, Indonesia will remain the top venue for Indian coal scouts for sometime to come.

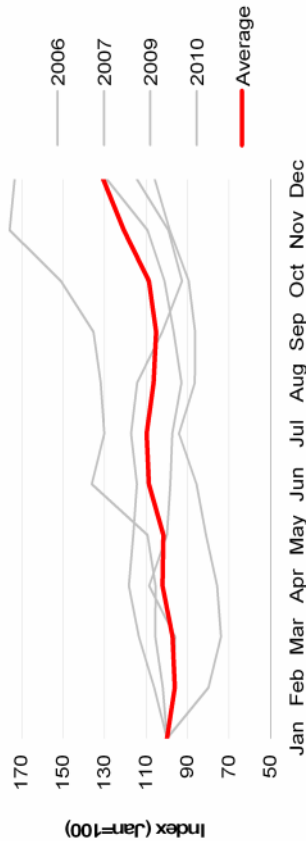
**Copper: Back to Hit Its All New High on China Import Data**

China, the world largest consumer for the metal jumped 5.7% MoM and 25% YoY in Jan'11 to reach 364,240 tons as fabricators increased stockpiles ahead of a seasonal ramp up in production after the Lunar New Year break. Copper price reached its all time high at USD 10,060/ton on last Tuesday before retracing back to USD10,045/ton on Friday.



Source: Bloomberg, TRIM Research

Coal Price Seasonality



Catalyst:

**MT to LT** Indian 11th policy plan and Indonesian fast track of 1st 10,000 MW power plant projects will come online going until 2014 with coal as a dominant fuel, creating a regional hunger for coal. It is estimated that 5,000-6,000MW of coal fired power plants scheduled to come online in 2011 in Indonesia. PLN coal demand will jumped 75% to reach 70mn tons in 2014 compared to current level of 40mn tons. 2nd 10,000MW programme is already beginning in Indonesia, again with coal taking the chunk of power source for the programme. India will continue to feed its domestic demand from seaborne market due to structural problem of its supply side. LT emerging market growth will continue to provide a good floor for coal prices, with robust demand coming from China, India and Indonesia.

**ST** Colder than normal winter in Northern Hemisphere, coupled with Queensland worst flood in 50 years will create tighter supply-demand balance at seaborne trade in the short term, hence driving the price higher. We expect spot price for thermal coal to hit USD142.5/ton.

**Risk:**

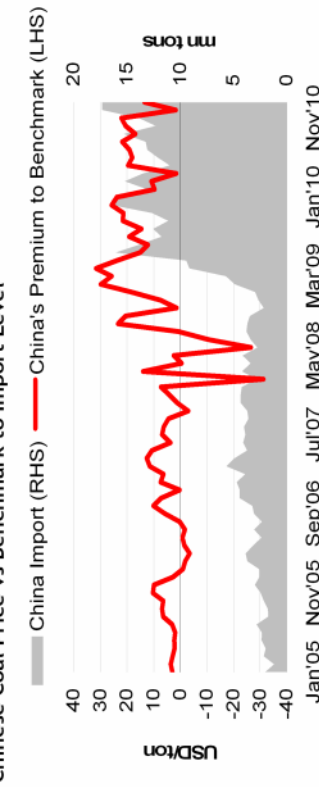
ST macro risk is the biggest risk, followed by regulatory risk as increase of local demand may urge Indonesian government to implement stricter DMO and price control. Government also state that it might ban the export of low rank coal in 2014 to increase state's export revenue.

Source: Bloomberg, Trimegah Research

Price Movement

	Last	WoW (%)	MoM (%)	YoY (%)	Ytd (%)	Average Price	Ytd
						3 Mth	6 Mth
<b>Oil and Gas</b>							
Crude Oil	85.6	(2.2)	(6.5)	15.4	(6.3)	88	84
Natural Gas	4	(4.7)	(12.7)	(28.5)	(11.2)	4	4
<b>Coal</b>							
Newcastle 6,700kc GAD	127	0.0	(8.5)	36.4	0.5	122	109
Qinhuangdao 6,000kc GAD	139	0.0	(0.5)	14.1	8.5	132	123
Richard Bay 6,000kc NAR	121	0.0	(6.0)	48.5	(6.8)	117	104
Coal (Daily)	116	(1.5)	(5.6)	57.1	(12.0)	118	108
<b>Other</b>							
Baltic Dry Index	1,178	12.7	(18.1)	(54.2)	(33.6)	1,206	1,683
							2,173
							1,326

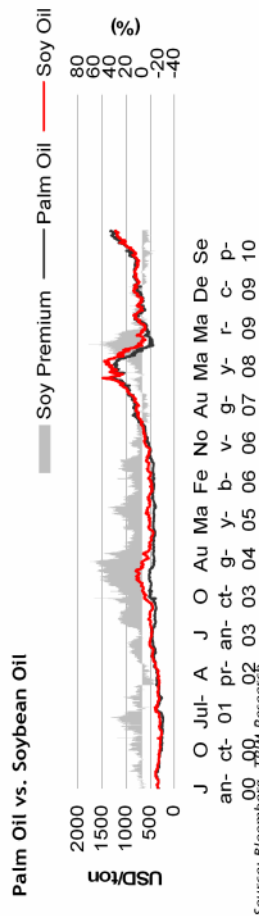
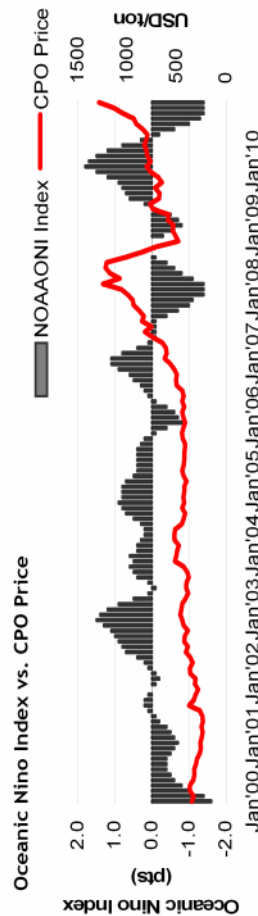
Chinese Coal Price vs Benchmark to Import Level



Source: Bloomberg, Trimegah Research

Relative Companies

	Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rptr)	YTD (%)	Bloomberg TP	P/E (x)	P/BV (x)	ROE (%)	EPSg (x)	Div. Y (%)
						Avg	2011	2012	2011	2012	2011
Adaro Energy	ADRO	2,900	2,400	76.8	(5.9)	3,080	13.9	10.6	2.7	24.0	25.9
Bumi Resources	BUMI	-	2,775	57.6	(8.3)	3,514	12.0	9.2	2.1	22.4	23.4
Borneo Lumbang Energy	BORN	-	1,530	27.1	14.2	2,033	13.7	9.4	2.4	22.8	25.9
Harum Energy	HRUM	-	8,450	22.8	(6.1)	10,329	13.4	9.6	4.7	53.1	48.3
Indika Energy	INDY	-	3,825	19.9	(19.0)	5,596	9.5	8.1	2.1	27.2	26.1
Indo Tambangraya Megah	ITMG	50,700	45,200	51.1	(10.9)	59,554	10.9	9.2	3.9	45.6	42.9
Tambang Batubara Bukit Asam	PTBA	25,300	19,850	45.7	(13.5)	26,039	13.0	10.9	4.1	39.8	37.4
<b>Regional Average</b>							<b>11.5</b>	<b>9.2</b>	<b>2.1</b>	<b>23.5</b>	<b>23.0</b>
											<b>16.7</b>
											<b>2.5</b>
											<b>3.0</b>



Source: Bloomberg, TRIM Research

**Catalyst:**

**LT Oil Consumption per capital in emerging markets (China 14kg, India 8kg, Brazil 18kg, and Indonesia 17kg) are still half of developed nations (30kg). This will support CPO prices in the long term as CPO prices will need to remain above cost + margin model to support volume growth. Structural oil supply problems combined with USD debasement story will support bio-diesel commercial viability in the LT.**

**MT A drier period followed after La Nina will boost CPO production and make the supply and demand balanced. Price will be normalize but it will be floored in our view, as human consumption of edible oil will grow steadily at 4.0%-5.0% CAGR mainly contributed by Chindia and bio diesel mandatory in several edible oil producer countries. Moratorium in Indonesia also expected to hamper CPO production, driving a positive outlook on CPO price in medium term.**

**ST La Nina phenomena (wet in the Eastern and dry in the Western) expected to continue until the end of 1Q11 with strong La Nina occur during Oct'10- Feb'11 period, creating a supply shortage for most of soft commodities counters.**

**Risk:**

**We also see moratorium along with unclear forest spatial regulation as a serious obstacle for Indonesia planters to expand, hampering the growth opportunity. Association expects our planters will "only" add 200k ha - 250k ha in 2011 vs. 500k ha 3-4 years ago.**

Price Movement	Malaysia Palm Oil									
	Last	WoW (%)	MoM (%)	YoY (%)	Ytd	Average Price	YTD	High	Low	YTD
CPO Malaysia	3,970	2.1	7.5	53.5	4.1	3,846	3,698	3,284	3,827	Production
CPO Rotterdam	1,323	0.6	6.7	67.4	2.9	1,285	1,237	1,107	1,282	Crude Palm Oil
Soybean Meal	1,416	(0.6)	(0.5)	49.8	1.6	1,417	1,348	1,238	1,407	Palm Kernel
Soybean Oil	58	0.1	2.1	54.6	1.3	58	56	50	58	Palm Kernel Oil
Rubber	528	6.1	17.4	90.4	30.2	488	423	369	468	Export
Corn	707	4.7	8.9	95.4	12.3	668	612	562	651	Ex-Palm Oil
Wheat	867	1.0	12.1	78.2	9.2	839	778	738	820	Ex-Palm Kernel Oil
Sugar	31	(4.2)	1.3	16.1	(2.6)	32	31	28	32	Inventory
								1,419	(12.2)	Palm Oil

Relative Companies	Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rp)	YTD (%)	Bloomberg TP			P/E (x)	P/BV (x)	ROE (%)	EPSg (x)	Div. Y (%)			
						Avg	High	Low								
Astra Agro Lestari	AALI	26,600	23,050	36.3	(12.0)	28,015	38,600	22,000	13.9	13.2	30.1	27.5	33.3	5.6	3.6	4.1
BW Plantation	BWPT	-	1,150	4.6	(10.9)	1,317	1,480	1,190	15.0	12.3	22.5	21.9	0.0	22.2	0.9	1.1
Gozco Plantation	GZCO	-	405	2.0	(5.8)	500	520	480	10.2	9.3	14.8	14.2	32.7	9.6	1.4	1.6
London Sumatra Indones LSIP		14,600	11,100	15.1	(13.6)	14,314	19,100	9,852	11.8	11.1	23.2	21.4	31.3	6.1	2.5	2.9
Sampoerna Agro	SGRO	4,050	2,850	5.4	(10.2)	3,753	4,625	2,875	12.0	11.0	19.1	18.4	18.1	9.4	2.4	2.6
Bisi International	BISI	-	1,210	3.6	(35.3)	-	-	-	13.8	10.4	18.7	20.9	43.4	32.6	0.9	1.4

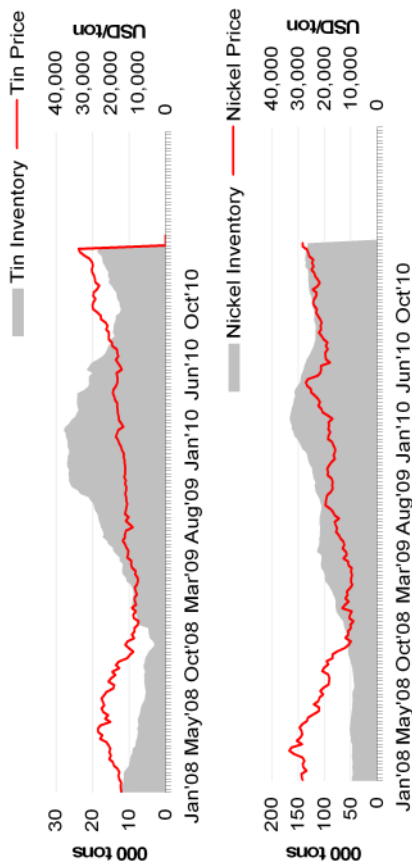
  

Regional Average	15.2	14.1	2.7	2.4	17.5	17.1	13.7	9.2	0.0
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14-Feb-11

Metals

Nickel & Tin Price vs Inventories



Source: Bloomberg, TRIM Research

Catalyst:

LT Growth from global emerging markets will continue to provide a floor for base metal prices. Aggressive money printing and fiscal stimuli will eventually lead on to inflation, favoring hard asset prices in the future. Supply side issues coming from both China and Indonesia, who both are world's largest tin supplier, will be supportive of tin's prices long term

MT The Q.E 2.0 US stimulus is very commodity intensive, and will be supportive of based metal prices. Based on cost + margin model, the fair nickel price is estimated to be USD16k/ton - USD20k/ton.

However, demand is needed to bring its inventory down from historic levels, before nickel price can resume its ascend. We would expect tin to outperform nickel in the medium term on lower inventory glut and structural supply issues.

ST Demand growth for nickel is expected to slow mainly cause by lower demand for stainless steels in China and EU. In the other hands, production will speed up supported by new projects coming and continued restart of idled capacity. ABARE expects world demand for nickel to "only" grow by 6.0% in 2011 compared to 9.0% of supply. Moreover, at higher price large scale nickel pig iron production would be expected to contribute a supply expansion, giving the pressure on nickel prices.

Risk: EU faster recovery than estimated and improving Chinese demand will become the upside risk for our short term nickel view.

Price Movement		Last	WoW (%)	MoM (%)	YoY (%)	Ytd (%)	Inventory Level		Last	WoW (%)	MoM (%)	YoY (%)	Early Year	Ytd (%)							
<b>Non ferrous Metal</b>																					
Aluminum		2,481	(2.2)	0.9	21.9	0.9	2,467	2,398	2,328	2,471	0.8	3.7	1.0	4,277,050	7.5						
Copper		10,079	0.0	4.1	47.5	4.6	9,733	9,260	8,638	9,668	0.8	5.4	(27.6)	377,550	5.1						
Nickel		28,630	0.6	10.1	52.8	15.1	27,176	24,973	23,972	26,406	(1.3)	(3.8)	(20.8)	135,672	(3.4)						
Zinc		2,483	(1.2)	0.9	14.2	1.0	2,410	2,332	2,307	2,423	(0.1)	(0.1)	41.9	701,425	1.1						
Lead		2,597	0.2	(3.5)	21.2	1.4	2,514	2,459	2,385	2,550	2.0	39.9	85.3	208,275	41.7						
Tin		31,895	1.3	18.1	95.4	17.8	29,610	27,112	25,690	28,612	(3.4)	5.1	(31.3)	16,275	11.4						
<b>Precious Metal</b>																					
Gold		1,360	0.9	(0.0)	24.8	(4.3)	1,349	1,372	1,341	1,360	(1.3)	(2.9)	14.1	11,591,781	(2.5)						
Silver		30	2.2	5.9	94.2	(3.0)	29	29	26	29	(0.9)	(1.9)	(6.2)	104,849	(2.3)						
Platinum		1,826	(0.8)	0.7	20.5	3.1	1,820	1,749	1,695	1,802											
Palladium		825	0.2	2.9	96.3	2.2	815	770	673	804											
LIMEX		4,398	(0.9)	3.5	39.8	4.4	4,293	4,091	3,879	4,264											
<b>Relative Companies</b>																					
	Ticker	Trim TP (Rp/shr)	Last Px (Rp/shr)	M. Cap (Rptr)	YTD (%)	Bloomberg TP Avg	High	Low	P/E (x) 2011	2012	2011	2012	PIBV (x) 2011	2012	EPSg (x) 2011	2012	Div. Y (%) 2011	2012			
Aneka Tambang	ANTM	-	2,225	21.0	(10.2)	2,672	3,014	2,000	11.9	11.5	11.9	11.5	1.6	1.4	13.3	12.1	19.0	2.9	3.3	3.8	
International Nickel	INCO	-	5,050	49.7	2.6	5,356	6,000	4,150	13.8	11.3	13.8	11.3	2.8	2.6	20.5	23.1	4.9	16.3	5.3	5.5	
Timah	TINS	-	2,800	14.1	1.8	2,964	3,575	2,300	17.3	10.8	17.3	10.8	2.9	2.5	16.5	22.9	43.2	12.4	3.5	4.8	
<b>Regional Average</b>									19.3	17.0	19.3	17.0	2.7	2.5	13.8	14.9	81.2	4.5	0.0	0.0	0.0

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