R.E.A. Holdings plc: Trading update

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R.E.A. Holdings plc (“REA” or the **“company”) – Trading update**

REA, whose principal business is the cultivation of oil palms in the province of East Kalimantan in Indonesia and the production and sale of CPO and CPKO, is pleased to announce a trading update for the year ended 31 December 2024.

All terms in this announcement are listed on the group’s website at: www.rea.co.uk/about/glossary.

Agricultural operations

Key agricultural statistics for the year to 31 December 2024 (with comparative figures for 2023) were as follows:

	2024	2023
Fresh Fruit Bunch (“FFB”) harvested (tonnes):		
Group	682,522	762,260
Third party	210,594	231,823
Total	**893,116**	**994,083**
Production (tonnes):		
Total FFB processed	857,575	949,701
FFB sold	34,192	45,032
CPO	190,235	209,994
Palm kernels	44,286	47,324
CPKO	18,086	19,393
Extraction rates (per cent):		
CPO	22.2	22.1
Palm kernel	5.2	5.0
CPKO*	40.6	40.2
Rainfall (mm):		
Average across the estates	2,707	3,225

*Based on kernels processed

Group FFB production for 2024 fell some 10 per cent below production in 2023. Albeit that crop levels were weighted to the second half of the year, this weighting was less pronounced than usual with no discernible peak period as has been typical in the latter months of the year. The lower overall level of production and absence of a peak period is attributed to climatic factors and is reported to have been widespread across Indonesia. Additionally, the group's lower crop volumes reflected the reductions in hectarage due to clearing of mature areas for replanting, as well as various other adjustments.

Third party FFB was similarly impacted by the climatic factors that reduced production generally and, in turn, CPO production mirrored the drop in total FFB processed.

The CPO extraction rate for the year averaged 22.2 per cent, consistently in the upper quartile when compared against local benchmarks. Oil losses in the mills remain comfortably below industry standards.

Under experienced engineering management and with the benefit of recent substantial investments, improvements in operating efficiency and capacity utilisation in the group's three mills were reflected in increased average throughput per hour and a reduction in the number of breakdowns and, therefore, reduced labour costs.

Replanting and extension planting continued on schedule during 2024 with a total of, respectively, 1,500 and 1,000 hectares completed by the end of the year.

Agricultural selling prices

Firmer selling prices throughout 2024 served to offset the impact of lower production.

Opening at $925 per tonne, CIF Rotterdam, prices steadily increased to peak at $1,390 per tonne in mid December and ended the year at $1,265 per tonne. Despite some increased volatility in recent weeks, CPO prices have remained comfortably above the $1,000 per tonne mark since the start of 2025 and currently stand at $1,200 per tonne.

The average price realised from sales of CPO in 2024, including premia for certified oil but net of export levy and duty, adjusted to FOB Samarinda, was $819 per tonne (2023: $718 per tonne). The average selling price for the group's CPKO, on the same basis, was $1,094 per tonne (2023: $749 per tonne).

As previously explained, the Indonesian government applies duties and tariffs on exports of CPO and CPKO. These tariffs are calculated on a sliding scale by reference to a CPO reference price that is set periodically by the Indonesian government on the basis of recognised benchmark CPO prices. Export levy is payable to a dedicated fund that utilises levy income to support measures designed to benefit the growing of oil palms in Indonesia. Export duty is a tax payable to the Indonesian government. The applicable tariffs, which are adjusted from time to time, are published on the group's website at: www.rea.co.uk/investors/cpo-export-tariffs.

The group sells CPO into the local Indonesian market which is not subject to export levy or export duty. However, arbitrage between the Indonesian and international CPO markets normally results in a local price that is broadly in line with prevailing international prices after adjustment of the latter for delivery costs and export tariffs and restrictions. Changes to export tariffs and restrictions therefore have an indirect effect on the prices that the group achieves on sales of its CPO.

Local prices for CPO and CPKO, FOB Belawan/Dumai, currently stand at, respectively, $837 and $1,485 per tonne (2024: $833 and $1,145 per tonne).

Sustainability and Environmental, Social and Governance

Each year the group participates in the SPOTT assessment by the Zoological Society of London which assesses palm oil producers, processors and traders on their disclosures regarding their organisation, policies and practices with respect to ESG matters. In the 2024 assessment, published in November, the company's score increased from 88.7 per cent to 91.5 per cent, compared with an average score of 48.2 per cent, ranking the group 8th (2023: 12th) out of the 100 palm oil companies assessed.

With increasing focus on addressing the challenges of climate change and deforestation, during 2024 the group installed processes and control systems to enable the group to make sales of segregated oil processed in one of its three mills (COM) and to comply with the requirements of EUDR.

An independent assessment was conducted to verify the group's preparedness for EUDR and concluded that the group had established a robust system to meet the requirements of the EUDR due diligence system. EUDR, which will prevent sales of non-compliant vegetable oils in the EU, was due to come into effect at the end of 2024 but implementation has been delayed by one year. COM remains ready to supply EUDR compliant CPO that is expected to command higher sales premia as soon as EUDR comes into force but, in the meanwhile, can now sell RSPO compliant identity preserved segregated CPO which should also attract valuable premia.

In parallel, the group has continued to work with smallholder suppliers to increase the certified component of the group's overall supply chain and to promote sustainable palm oil production. As a result, the proportion of the group's current CPO production that is RSPO certified is continuing to increase towards the target of 100 per cent by the end of 2025.

Stone and sand operations

Development of the stone concession held by ATP and the sand concession held by MCU continued to progress towards commercial production throughout 2024.

With the access roads to the ATP quarry now open, some 75,000 tonnes of stone had been produced, and the first volumes of some 40,000 tonnes had been sold and delivered, by the end of the year. Production to date has been from large boulders found across the ATP concession area as a result of past rock falls, but work is now in hand to establish access to the west face of the andesite deposit and to start bench quarrying on that face around mid year. In the interim, clearance of access to the west face will provide increasing volumes of loose rock for crushing and sale. ATP expects to scale up production steadily throughout 2025, with a target of 100,000 tonnes per month by year end and thereafter. Local demand for crushed stone for infrastructure projects remains strong and, as production levels increase, ATP aims to conclude offtake agreements with major interested purchasers at remunerative prices.

MCU has agreed arrangements for the production of silica sand in the overburden overlaying IPA's coal with IPA's coal mining contractor, who already has equipment on site and has, to date, stockpiled some 16,000 tonnes of sand. The contractor has been appointed to mine the silica sand on behalf of MCU on terms similar to those that previously applied to mining coal at IPA. The contractor will commission a sand washing plant in the coming weeks and thereafter expects to be in a position to produce some 50,000 tonnes of sand per month, scaling up to some 100,000 tonnes per month in the second half of the year. The market for sand appears to be large, but under greater price pressure than the market for stone. Nonetheless, offtake agreements should be at prices and for volumes that will support commercial production.

Agreements have been put in place to establish ATP as a 95 per cent subsidiary of the company and MCU as a 49 per cent owned associate company. Both companies are now being run and accounted for on that basis. Applications to complete formalisation of the new ownership structure are in progress.

Finance

The semi-annual dividends arising on the preference shares in June and December 2024 were paid on their respective due dates.

During 2024, a total of £9,186,000 nominal of the 8.75 per cent guaranteed sterling notes 2025 issued by the company's wholly owned subsidiary, REAF, were purchased for cancellation. The purchases were made through Guy Butler Limited as to £3,000,000 nominal in September 2024, as to £4,626,000 nominal in October 2024 and as to £1,560,000 nominal in December 2024. Following the purchase and cancellation in January 2025 of a further £300,000 nominal of sterling notes, currently there remain in issue £21,366,000 nominal of sterling notes due for redemption at 104 per cent of their nominal amount on 31 August 2025.

In preparation for that redemption, the group has been taking steps to secure additional local bank funding in Indonesia. As a result, agreements were reached with Bank Mandiri during 2024 for an additional Rp 350 billion ($21.4 million) loan to REA Kaltim, a new loan of Rp 250 billion ($15.3 million) to CDM, a repackaged loan facility for KMS providing an additional Rp 157 billion ($9.6 million), and to permit immediate draw down of all three loans. Net of 2024 repayments totalling Rp 230 billion ($14.1 million) of existing Bank Mandiri loans, these new loans provided the group with additional cash resources of Rp 527 billion ($32.2 million).

Outlook

The historically high CPO price ruling in the second half of 2024 reflected the lower levels of CPO production seen during the year. Whilst it is likely that there will be some recovery in production going forward, supplies remain tight and are expected to stay that way well into 2025 as Indonesia continues to push increased use of biodiesel in transport fuel. This encourages the hope that prices will be sustained at levels above the average for 2024.

The better average price for CPO over 2024 more than offset the decline in crop. As a result, the group will report improved results for 2024. Looking forward, yields are expected to recover from the slightly depressed levels of 2024 and, if prices do remain at above the average level of 2024, this should mean a further improvement in the profitability of the agricultural operations. With the addition in 2025 of positive contributions from the stone and sand operations, the prospects for the group are encouraging.

Publication of results

In line with the timetable adopted in previous years, the final results for 2024 are due to be announced, and the annual report in respect of 2024 published, at the end of April 2024.

Enquiries:
R.E.A. Holdings plc
Tel: 020 7436 7877

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