

# Extra boost for Sabah oil palm

Larry Ralon

**KOTA KINABALU:** Sabah's oil palm industry received a shot in the arm with the recognition of Lahad Datu Palm Oil Industrial Cluster (POIC) as a palm oil tender port.

The status not only means an additional port and bulking facilities at Lahad Datu, but also direct benefits to palm oil sellers and buyers, as well as lift the east coast town's profile in the global edible oil map.

"It will facilitate the development of the palm oil downstream industry...generate new investment and employment opportunities in the east coast," said Chief Minister Datuk Seri Shafie Apdal.

He was officiating a three-in-one event, namely the launching of the POIC bulking installation located at POIC Lahad Datu, designation as a tender port (i.e. delivery point) and signing of service agreement between POIC Sabah Sdn Bhd and Asia Pacific Exchange Pte Ltd (Apex) at Shangri-La Tanjung Aru Resort and Spa, Tuesday.

Apex is a Singapore-based commodities exchange. It will trade in crude palm oil (CPO) and RBD (Refined Bleached Deodorised) palm olein futures delivered through the storage facilities at POIC Lahad Datu.

These tanks, with a capacity of 20,000 tonnes, are conveniently located near a multiple-berth oil jetty.

Shafie said one of the immediate benefits to Sabah would be in the reduction of the so-called "Sabah discount" on Sabah CPO by Apex from USD20-30 to USD10.

"(Therefore) the palm oil delivered from Lahad Datu will be the cheapest among Apex' five tender ports, the others being Pasir Gudang, Port Klang in peninsula and Dumai Belawan in Indonesia.

"The lower price, logistical advantages, POIC's location and Sabah's prominent position as a palm oil producer and its proximity to other palm oil producing regions will combine to raise Sabah's profile as an ideal palm oil-related investment destination," he said.

Mohd Shafie also predicted a wider role for Sabah in the palm oil sector due to the State's proximity to China and

India, two palm oil importing countries of rising importance to Malaysia.

"The possibilities offered under this new platform include more CPO and RBD Palm Olein buyers from China, open up the Indian market for Sabah's CPO and Palm Olein, attract palm oil flows from our neighbours, and yield a higher return to local palm oil sellers and producers in Sabah," he said.

In his welcoming speech earlier, State Trade and Industry Minister, Datuk Seri Wilfred Madius Tangau, said the Apex trading platform will benefit Sabah oil palm players in providing a mechanism for hedging, a pricing benchmark, access to information on commodity price movement, more options in the physical commodity market, and tools and better portfolio management for the edible oils market.

"The Apex platform would strengthen Sabah's connectivity with the broader Asia-Pacific markets and help to put us in the global trading map.

"With better connectivity and greater exposure, we are looking forward to attracting more industries and investment into Sabah.

"These are important not only to bring in new industrial development in the east coast of Sabah specifically, but also to facilitate the larger goal of seeking to industrialise Sabah by 2030," said Tangau, who also a Deputy Chief Minister and POIC Sabah Chairman.

Creating employment and business opportunities are critical for Sabah and harnessing the State resources and comparative advantages are vital in this endeavour, he added.

By denominating its Lahad Datu-based futures in US Dollar, Apex was addressing the trader's desire to reduce currency risks, and recognising the increase in palm oil trading in the greenback, said Apex Chairman, Eugene Lee.

"Apex would be able to closely connect the local market of Sabah State to the huge China market, because Apex is now and always the bridge in between," he said.

About 150 guests attended the event, including senior Apex executives, top officials of oil palm companies in Sabah as well as senior government officials.

## Shafie on key concerns of Sabah's oil palm industry

**AVAILABILITY** of workers and the evolving environmental and sustainability mandate are key concerns of the oil palm industry in Sabah.

CM Datuk Seri Mohd Shafie said the availability of workers is an on-going issue that directly affects the industry.

He said it is also an issue that is part of the bigger challenge of developing the State's industrial sector.

"There is no easy answer, but it is a challenge that we as a nation must collectively address," he said. Another is the evolving environmental and sustainability mandate being placed on the industry.

"While the Federal Government has taken a direct role by instituting its own standard through the Malaysian Sustainable Palm Oil (MSPO), the question over

sustainability is likely to remain a contentious issue for the foreseeable future," he said.

Mohd Shafie said the well-being of the local oil palm industry is understandably of great interest to the State Government.

"This has also been one of the overriding factors that prompted the Sabah Government to push and facilitate the development of oil palm downstream industries.

"We understand that this undertaking would be challenging, but then again it is long overdue.

"We need to be moving at an even faster pace just to stay ahead of competition, coming especially from our neighbours."

See Page 2, Col. 3

## Share of market bound to shrink

From Page One

As a traded commodity, Mohd Shafie said it is readily clear that the economic returns offered by the industry are directly affected by a number of factors including production costs, competition from other vegetable oils, prevailing market forces, consumer demands as well as environmental sentiments.

"While some of these are amenable to specific governmental measures, many others are beyond our direct control. These are the realities of the global economic, political and social environment today.

"A common thread often voiced out by industry players is the desire for fair pricing. At a time of rising production costs, margins have become critical to the bottom line. And factors that affect the bottom line will surely continue to play a crucial part in shaping the destiny of the

palm oil industry," he said.

He said in time to come, with increasing expansion of oil palm plantations in other countries with suitable land to spare, Sabah's share of the world market is bound to shrink.

"To remain competitive, Sabah has to strengthen its position by competing on the basis of governance and good agricultural practices.

"The local palm oil industry needs to be creative, innovative and simply be better than others to maintain its position both nationally and globally.

"Clearly, the challenges for the local palm oil industry are many and varied. And there are no easy solutions. But as a government, we will continue to strive to put in place a facilitative environment for the industry to thrive and move forward," he said.