

Lahad Datu to boost Sabah's industrialisation



Shafie (second right) and Madius (third right) witnessing the exchange of documents between Dr Pang (centre) and Eugene (right).

By ERIC BAGANG

KOTA KINABALU: The recognition of Lahad Datu as palm oil tender port will bring Sabah closer to the government's goal of turning the state into an industrialised state.

The announcement of the Palm Oil Industrial Cluster (POIC) Lahad Datu as delivery point for crude palm oil (CPO) and RBD palm olein futures contracts was made during the launch of POIC Lahad Datu Bulking Terminal and the agreement signing ceremony between POIC Bulk Terminal Sdn Bhd and Asia Pacific Exchange Pte Ltd (APEX) to designate POIC Bulking Terminal as a port tank installation (PTI) at a resort here yesterday.

Officiating the launch, Chief Minister Datuk Seri Shafie Apdal said that the three-in-one event provides additional avenues for the local palm oil industry to get connected to the broader palm oil market.

He said that the new platform offers numerous possibilities including more CPO and RBD palm olein buyers from China, opening up the Indian market for Sabah's CPO and palm olein, attracting palm oil flows from neighbouring countries, and provide higher return to local palm oil sellers and producers.

"I am glad that APEX's evaluation of Lahad Datu as a possible candidate to be chosen as their third tender port for CPO and RBD palm olein futures contracts in Malaysia resulted in a positive outcome.

"The designation of POIC Lahad Datu to play this role at this point in time would support the state government's continuing efforts to develop the palm oil industry and facilitate development in the east coast of Sabah.

"It is an affirmation that we are doing something right, that indeed Sabah has much to offer as an attractive investment destination.

"With the designation of POIC Lahad Datu as a tender port for CPO and palm olein futures contracts, Sabah will now be directly linked to the trading of futures contracts for both CPO and palm olein.

"Local industry players will be linked directly with international buyers through APEX. Local CPO and palm olein traders will have more options at their disposal and will be able to view and price their products based on the prices that are continuously displayed on APEX's platform," he said in his keynote address.

According to Shafie, the expanded options for local industry players will lead to a fairer pricing for Sabah's CPO and palm olein, unlike in the current situation where the prices of the two commodities are discounted heavily compared to West Malaysia.

He said that the discount - which is commonly referred to as the Sabah discount - may range between USD20 and USD30 per metric tonne based on production and demand from the major players.

He said that through APEX, the price discount will be fixed at USD10 per metric tonne as compared to West Malaysia and USD5 per metric tonne compared to Dumai and Belawan in Indonesia, making palm oil delivered from Lahad Datu the cheapest among APEX's five tender points making Lahad Datu more attractive.

APEX's four other tender ports are Port Klang and Pasir Gudang in Malaysia and Dumai and Belawan in Indonesia.

"For example, Indian buyers will now be attracted to purchase their oil from Sabah as compared to Indonesia and West Malaysia. The cost to bring a vessel from West Malaysia to Sabah is approximately USD3 per metric tonne.

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"Given APEX's Sabah discount of USD10 per metric tonne, it will make economic sense for the Indian buyers to bring their vessels directly to Sabah instead of buying the oil from Indonesia and West Malaysia.

"And with India currently providing a further five per cent rebate on import tax on palm oil originating from Malaysia, this will make Lahad Datu even more attractive as a tender port.

"Similarly, Chinese buyers will also find palm oil from Sabah to be cheapest and they will also further save on freight cost as Sabah is geographically closest to China, compared to West Malaysia and Indonesia," he added.

Shafie also explained that through APEX platform, smaller players would have an avenue to sell their products directly through the exchange without being subjected to price fixing by the major players, benefiting the medium and small planters.

At the same time, he said that refineries in Sabah would now have the additional option to source for CPO supplies at the right price from a broader range of sellers and traders, benefiting both buyers and sellers of CPO and palm olein.

He said that the tender port designation would also contribute to a bigger profiling for Lahad Datu in particular and Sabah as a whole which will help to further facilitate the development of the palm oil downstream industry in the state.

Such developments, he said, are bound to create and generate new investment and employment opportunities in Sabah's east coast.

APEX is a Singapore-based commodities exchange, and will trade in CPO and palm olein futures delivered through the storage facilities at POIC Lahad Datu. The POIC Lahad Datu port tanks which are located near a multi-berth oil jetty have a combine capacity of 20,000 tonnes.

At the event, Shafie witnessed the agreement signing ceremony between POIC Lahad Datu chief executive officer (CEO), Datuk Dr Pang Teck Wai and APEX founder and CEO, Eugene Zhu.

Also present were Deputy Chief Minister, Datuk Seri Madius Tangau who is also Trade and Industry Minister.