



The following is written by columnist/commentator Datuk John Lo and first appeared in the Daily Express. Among others it discusses the point long known to have impeded the industrialisation of oil palm in Sabah – some 90% of oil palm grown in Sabah are controlled by non-Sabahan entities who have not responded to Sabah government's call to industrialise oil palm. The "Inside Out" column is titled '*Economic leadership and raw deals*'.

Economic leadership and raw deals

"LET me give the definition of "RAW DEAL" from Google. "Raw deal is a situation in which a person is taken advantage of or treated unfairly; a situation in which a person is led to expect something, but receives nothing or much less than expected"

This is exactly my feeling when I read, with great dismay, that the various oil palm organisations have appealed to Datuk Joachim for exemption on land assessment taxes imposed by some district councils.

The oil palm industry always screams "blue murder" on the little tax/revenue that Sabah gets. I like to put forward my case that Sabah has been dealt with a raw deal by the oil palm industry.

Good economic leadership is about leaders making very difficult decisions so that Sabahans can benefit; not taking the easy way out. Hajiji's regain of Sabah's rights in oil and gas is an excellent example.

Sabah requires economic leadership to review and re-examine the oil palm industry in a pragmatic, logical manner on its benefits OR THE LACK OF BENEFITS FOR SABAHANS. Bear this in mind; Sabah produces about 5 million tons of CPO which at RM5000 per ton the total is RM25 billion at RM6000 per ton it is RM30 billion. Sabah's share of this industry can be a lot more than the mere 7.5% sales tax if the industry is cooperative to go down stream in Sabah.

Sabah is the largest CPO producer, what is Sabah's representation in MOPB, KLCE [Kuala Lumpur Commodity Exchange] and other oil palm institutions in research, downstream and promotion?

ZERO! ZILCH! KOSONG! TIADA! Sabah is the largest producer and yet has not one iota of say or authority in the management of this industry. This is a grievous anomaly. Sabah has been contributing immensely to the national coffer for more than 30 years!

This is the most fundamental issue. Without an effective representation, no say, is it any wonder that Sabah, as the biggest producer, has zero [at best superficial] downstream?

This is an intolerable situation for Sabah and must be rectified immediately.

Sabah's very poor economic return from oil palm.

Here are some examples of the raw deals the oil palm industry is inflicting on Sabah.

[a] Sabahan Ownership is miniscule.

Of the more than 1.73 million hectares [4.5 million acres] of planted oil palm, more than 90% are owned by non-Sabahans. The oil palm industry has disenfranchised Sabahans economically. Yes, I agree that it was the fault of some past Sabah political leaders for allowing this to happen. But it does not mean Sabahans should continue to be exploited by the oil palm industry tycoons.

[b] No downstream for Sabah.

West Malaysian plantation companies have made billions every year from Sabah's land that they have planted with oil palm. They are occupying Sabah's best, choicest and the most fertile land. For years, Sabah's appeal to them to go downstream, give some benefits to Sabah. All these have fallen on deaf ears. They have been intransigent, have rejected Sabah's many pleas for value-add investments, giving all sorts of excuses. Instead, they have been shipping out the CPO from Sabah to their factories in W Malaysia, Europe and China. In short, the oil palm industry has refused to invest in downstream in Sabah, gives zero in economic value chain back to Sabah.

[c] Oil palm does not provide employment for Sabahans.

For the billions of incomes that the oil palm companies have generated from Sabah each year, how many Sabahans are holding senior management positions? Middle management level? Or office staff. I hope these companies can provide their verifiable statistics. Or the Sabah Government can conduct work permit inspections on their staff.

[d] Sabah's revenue share of oil palm industry.

This is the mother of all raw deals. The only benefit for Sabah is the miserable 7.5% sale tax, nominal land rentals. No downstream. Minimal spin-offs. Can the oil palm industry tell Sabahans

[a] How much of the total CPO production is used in Sabah?

[b] Why it can't go downstream in Sabah? If the oil palm plantation companies can't cooperate with Sabah government to go down stream, then the Sabah government must restructure the sales tax to compel them to do so. Or let other investors do it.

Some investors are prepared to invest billions if they can buy CPO within Sabah. Indicative volume requirement is 1 million tons per investors. Sabah can't afford nor can we allow, to continue the present system of zero downstream ad infinitum. There are investors who know and can

add value to Sabah's CPO and give benefit to Sabah's economy.

Sabah has more than 1.73 million hectares of planted oil palm. Registered with MPOB is about 1.5 million hectares. But only about 1.3 million hectares are paying land tax. More than 500,000 hectares are not paying any land tax. I urge the appropriate authorities to coordinate and go after these owners.

Sabah is the only state that has not imposed sales tax on the kernel oil. Sarawak and W Malaysia have done so for years. This is a high value product. TAX IT IMMEDIATELY.

Who benefits from Sabah's oil palm?

Without a doubt, it is the plantation tycoons in W Malaysia first. [a] huge profits, especially from high prices over the last 30 years. [b] low land cost in Sabah. [c] appreciation of land value over the years. [d] appreciation of the companies' listed share. [e] gain market share in their target markets.

Second, it is the federal government with [a] corporate tax. [b] sales tax. [c] windfall tax [d] export tax, etc etc.

It is too heart wrenching to list Sabah's benefits from our 1.7 million hectares in oil palm.

The tycoons who own most of Sabah oil palm can lobby the federal government to reduce the tax on oil palm. Don't squeeze Sabah. After all, they, cocooned in the comfort of their office suite in their HQ, did not bother about Sabah's plight during the COVID MCO. No CRS from these billionaires when Sabah needed it most. Even the Rotary Club of KK raised a few hundred thousand to help.

Is there option for Sabah? If no oil palm? Will it be the end of the world?

Answer to first question—most definitely. Plenty. There are many crops that require much less land, more profitable and give better benefits to Sabah. Or the land can be used to produce food sufficiency and food security. Sabah's policy makers should conduct a review on this issue urgently.

Answer to second—most definitely NO.

In addition to the poor return for Sabah, oil palm is a very demanding crop that requires huge area of land. On a per acre basis, there are many crops that are more profitable and productive than oil palm. Worst is that oil palm uses a huge amount of fertilizer, millions of tons each year, that pollute our rivers, water and soil. The long-term consequences can be dire.

If only 25% [1 million acres] of present oil palm land can be converted to other high value crops, Sabah can be much better off, there will be food sufficiency and food security.

Unlikely Sabah can compete with Kalimantan.

Compared with Kalimantan's fast growing planted acreage, Sabah's 1.73 million hectares cannot compete in economy of scale, labour and downstream. This situation is made worse by the lack of reinvestment and zero innovation within Sabah.

Sabah should impose property assessment tax on oil palm plantations.

The reasons given by various oil palm associations for their appeal to Joachim for waiver or exemption from property assessment tax has no justification.

Only the kampong folks should be entitled to this waiver. The oil palm plantations are using the land for business and profit. The local authority or the Sabah government should levy the tax. As responsible corporate citizens, they should pay. Stop squeezing Sabah.

<https://www.theborneopost.com/2023/03/01/planters-sppeal-on-re-introduction-of-tax/>

Sabah must wise up, open our eyes in order to ensure we derive equitable benefits from our best, choicest land of more than 4 million acres for oil palm.