



Nusantara could be 'double-edged sword' for East Malaysia's oil palm plantation

KOTA KINABALU (Sept 8, 2023): As speculations and hypothesis range over the economic potentials resulting from the creation of the new Indonesian capital in East Kalimantan, key industry experts say the development could be a double-edged sword for East Malaysia's palm oil sector.

The east Malaysian states of Sabah and Sarawak combine for half of Malaysia's planted oil palm and over 80% of the plantations are foreigners, most of them Indonesians.

In a panel session this week in Kuching at the East Malaysia Palm and Lauric Oils Price Outlook Conference and Exhibition 2023 (emPOC 2023), key palm oil industry stakeholders and experts discussed the challenges and opportunities in East Malaysia's palm oil sector.

Malaysian Palm Oil Board (MPOB) Director General Datuk Dr Ahmad Parveez Ghulam Kadir said the new Indonesian capital, set to become a reality in 2024, could catalyse the region's palm oil industry growth, especially in the areas of downstream products and its derivatives.

While the market in Nusantara, the official name of the new capital, will take some time to grow, its potential size is far larger than Malaysia's, and this

presents an opportunity for local players to potentially capture through export or collaboration.

"I think we know what's happening in Nusantara, and once they have developed more of a market there we should try to find ways on how we can actually export some of our downstream products or we can see who are the main players there than we can collaborate with," he asserted.

He added out that there is still a lot of room for growth in the downstream segment in Sarawak and Sabah and that it was important that local players venture into downstream, which is a direction encouraged consistently by both the state governments. He noted that there are currently no oleochemical operations here in East Malaysia despite the size of its plantation.

"For Sarawak especially, MPOB will be targeting to organise a transfer of technology seminar next year in hopes of encouraging more players to take an interest and participate in the downstream segment," Parveez said.

On green technology, he shared Malaysia's palm oil sector has embraced green technology and sustainability, and local players in Sabah and Sarawak could consider participating in the proposed Kalimantan Industrial Park Indonesia

(KIPI) which is expected to become the largest green industrial area in the world.

Further on the potential impacts of Nusantara, Datuk Darrel Webber, founder of DWA Consulting, feared that Nusantara's development could draw large number of Indonesian plantation labourers in east Malaysia, thus, further exacerbating the ongoing labour issues that have impacted the industry.

But looking at the situation from a more optimistic view, he pointed out that stakeholders could instead see this potential pain point as an additional reason to further ramp up their efforts in solving the current labour shortage issues.

Joining in on the conversation, Dr Surina Ismail, group head of sustainability at IOI Corporation Bhd (IOI) highlighted that IOI's stance on the issue is that they aim to hire more local labour by changing the perception of palm oil related jobs being dirty, difficult and dangerous.

With advancements in technology and adoption of mechanised tasks, she said that work in the palm oil sector nowadays was very different from that that local workers could be convinced.

IOI would also focus on employee retention through and improved work and living environment, especially those employed at plantations or mills.

Concurring with this, Daphne Hameeteman, General Manager for Sustainability at Wilmar International Ltd (Wilmar) said the creation of a 'holistic work-life balance' is equally important.

Advocating for the creation of well protected, connected and supplied communities in and around palm oil estates, Hameeteman believes that such spaces are necessary as it allows plantation workers to be able to provide their family members and dependants an environment where they are able to live and thrive in.

Eric Kiu, chairman of the influential Sarawak Oil Palm Plantation owners Association (SOPPOA) said unless the industry adopts automation and mechanisation, all other measures aimed at appeasing workers have at best 'stop gap' effect.

He observed that while mechanisation is increasingly applied in both the downstream and upstream on oil palm industry, an industry-wide adaptation is needed.

In the longer term he believes that the industry on the whole cannot be complacent with the current situation and instead continue to strive for more innovation and breakthrough in automation and mechanisation.