



E-NEWSLETTER

SARAWAK OIL PALM PLANTATION OWNERS ASSOCIATION

Chairman's Message

Eric Kiu Kwong Seng



Dear Members,

Time flies so fast! It seems like it was just yesterday that I was entrusted by dear members to chair this Association for the Term 21/23.

The last two years have not been easy – we experienced so many unprecedented challenges caused by Covid-19. But we must be thankful that we managed to navigate through rough water together and emerged stronger.

Not to deny that SOPPOA has have done quite a fair job in servicing the members and supporting the industry. Below, I wish to highlight some of the progresses made in the past 2 years during my tenure as Chairman.

1. Labour issue – The fundamental obstacle faced by the industry during the pandemic was shortage of foreign workers. In order to improve the situation, the Association has called on various government officials including the Premier, State Secretary, Deputy Minister of Labour, Immigration and Project Monitoring to tackle the foreign workers' shortage. As witnessed, the processing times for foreign workers recruitment were improved dramatically even though member companies may still face some delay occasionally. It was delighting to note that the State cabinet on 23 March 2023 has agreed to allow plantation sector to recruit workers from other source countries such as Bangladesh, Nepal, India and the Philippines beside Indonesia.

2. Air pollution control system (APCS) – DOE has ordered that all incinerators without proper APCS to stop operation by 31 December 2022. On this note, we are grateful to YB Dr. Hazland, Deputy Minister for Energy and Environmental Sustainability Sarawak, for his role in extending the operation of incinerator

without APCS to 31 December 2024. Nevertheless, the extension of grace period for the installation of APCS at boiler was not positive until further negotiation between MPOB and DOE which is scheduled sometimes after Raya.

3. Taxation – We are pleased to inform that after many appeals, MoF has agreed to extend the time limit for unabsorbed adjusted business losses carried forward from 7-year to 10-year with effective year of assessment 2019. I must give this credit to the past Chairman Mr. David Tiong.

4. R&D collaboration – Out of 3 R&D project proposals submitted to various departments, the collaborative study with UNIMAS on HVC has received a grant of RM400,000.

5. Plantation management courses – The road to obtain accreditation of education courses from scratch has never been easy. Nevertheless, with the tireless effort, very soon we will have plantation management courses being offered to the oil palm sector by local leaning institutes.

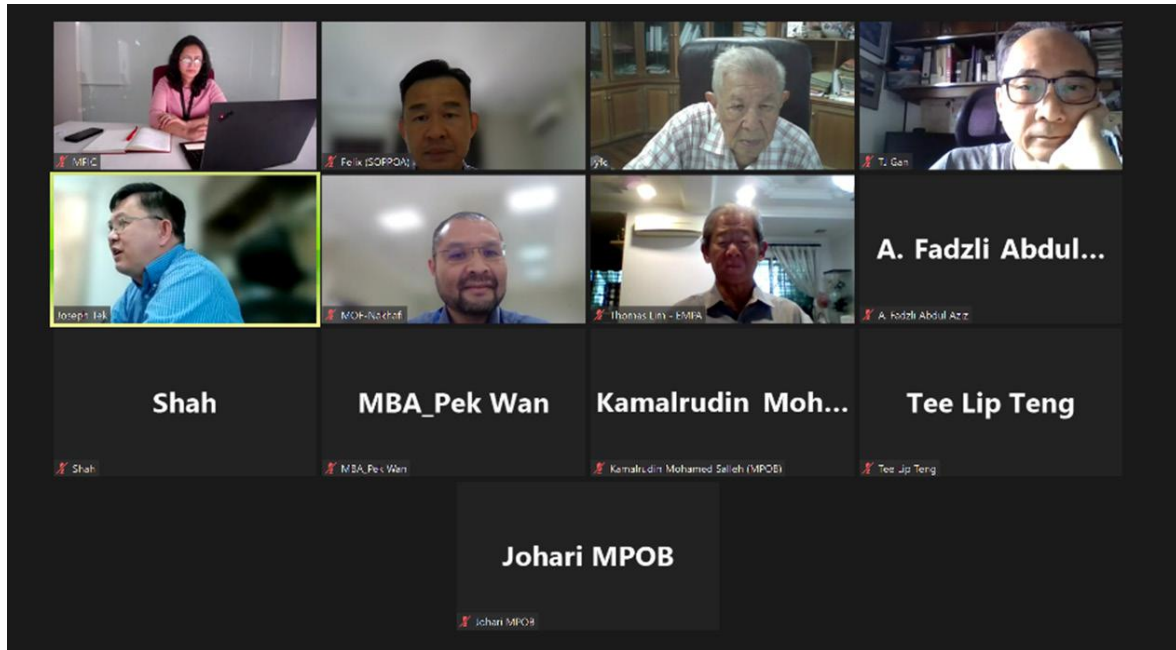
Members, the 22nd March 2023 was another historic occasion for the Association. We have new line-up of Council Members for Term 23/25. I am therefore taking this opportunity to welcome them on board and look forward to working together to face the challenges ahead.

The Council has fixed 5 April for the appointment of office bearers. Regardless who is the in-coming Chairman, our objective remains the same – to work as a team for the betterment of this industry.

Happy reading.



Minutes Of Meeting On Study On Restructuring Of Malaysian Palm Oil Taxation System on 2 February 23



The meeting was called by Ministry of Plantation & Commodities (KPK) to establish term of reference (TOR) to review the existing tax structures for palm oil in order to increase the competitiveness of the palm oil industry.

The final TOR document should define the objectives and the scope of the evaluation, outlines the responsibilities of the consultant who will be appointed to carry out the study, and provides a clear description of the resources available to conduct the study.

As a background, presently, the tax structure imposed on the palm oil industry involved 3 levels - federal, state & local authority.

These taxes and fees are summarized as per table.

The meeting agreed the appointed consultant should cover the scope below.

- i. To review Malaysian's current tax structure and incentives and how they will impact the industry
- ii. To study Indonesia's current tax structure and incentives and how they will impact on Malaysian palm oil industry
- iii. To compare Malaysian palm oil taxation structure and incentives to other export-oriented products
- iv. To provide current vs proposed taxation simulation
- v. To conduct a comparative competitive analysis within the upstream, midstream and downstream levels
- vi. To recommend a new palm oil taxation structure and incentives

The meeting also defined the roles and responsibilities for both Steering and Technical Committee that consisting of federal and state government officials including industry players.

No.	Types	Region		
		WM	SBH	SWK
1	Corporate Tax	24%		
2	MPOB Cess			
	i. MPOB R&D and Operation	RM12/ton of CPO & CPKO		
	ii. Palm Oil Promotion Fund	RM3/ton of CPO & CPKO		
	iii. Green & Sustainability Fund	RM1/ton of CPO & CPKO		
3	Windfall Profit Levy			
	i. Rate	3%		
	ii. Threshold Price	RM3000	RM3500	
4	Export Duty for CPO	3%-8% (for CPO > RM2250/ton)		
5	Export Duty for CPKO	10%	7% (after rebate)	
6	Export Duty for RBDPKO	5%		
7	State Sales Tax			
	i. Rate	0	7.5%	5%
	ii. Threshold Price		RM1000	RM1500
8.	Property Assessment Tax (PAT)	RM65- RM150 /ha	0	RM40- RM120/h a
9	Land Tax (per year)	0	0	RM30/ha
10	Foreign Workers			
	i. Worker Levy (per year/worker)	RM640	RM590	
	ii. Visit Pass (VP) (per worker)	RM60		
	iii. Processing fees (per worker)	RM125		
	iv. Visa/Security Bond (per worker)	RM625		
	v. Recruitment/Travel Fees	RM2000-RM2500		



MPI-ISP Collaborative Meeting On Plantation Management Courses on 8 February 23

To provide a platform for improving skills and knowledge in oil palm operation and management has always been one of the priority of SOPPOA.

In the past year, SOPPOA has had numerous engagements with few local institutes to discuss on various approaches to providing oil palm supervisory and management courses to its members.

However, due to some technicalities, the implementation was delayed and required further fine tuning.

Recently, Methodist Pilley Institute (MPI) after learning the intention of SOPPOA, has also expressed its wish to look into possibility of providing oil palm management course to SOPPOA's members.

As a background, SibU-based MPI is established in 1991, is the oldest private higher learning institution in Sarawak.

It provides higher education in the areas of accounting, taxation, finance, business management, computing, early childhood education, social work and English.

The oil palm management courses - if materialized, should give MPI opportunity to diversify its current sets of teaching programs - are in great demand in Sarawak as oil palm is the second largest contributor to the state's economy.

In order to embark on this new area, MPI has considered a strategic partnership with the Incorporated Society of Planters (ISP).

ISP is no stranger to those who have been active in plantation. It is technically a professional body that incorporated in 1919.

More importantly, ISP offers a wide range of education programs to assist working group in expanding their knowledge and skillset in various agricultural sectors.

In addition, its also cater examinations in Professional Diploma of Licentiate of the Incorporated Society of Planters (LISP) and Advanced Professional Diploma of Associate of the Incorporated Society of Planters (AISP) to its members who work in the plantation industry as Executive and above.

Another familiar contribution by ISP is its monthly journal "The Planter" that publishes well-researched and authoritative articles written and reviewed by experts in



MPI's campus at SibU

their respective fields on all aspect of plantation and agricultural management.

MPI Principal Mr. Hii King Kai confidants that there is room for collaboration with ISP to establish and provide oil palm plantation management courses in Sarawak.

MPI Chairman (Board of Directors) Mr. Paul Wong iterated that this engagement should serve as a platform to discuss and formulate a long-term collaborative framework instead of a one off for the purpose of participating in SBF's Recovery Fund.

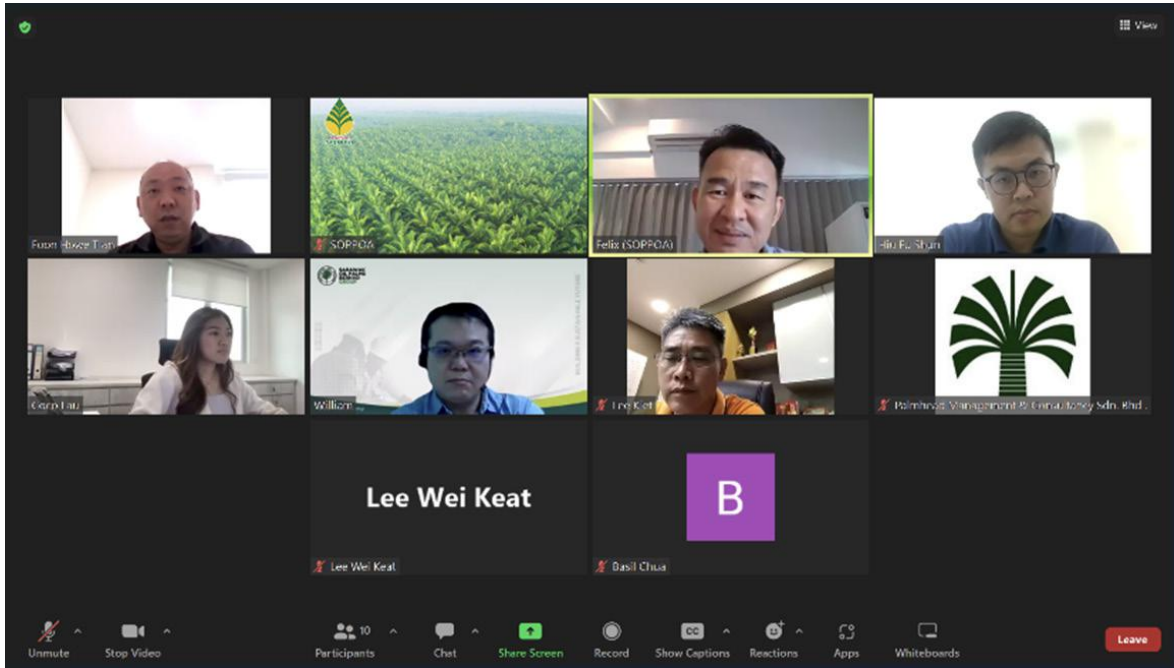
To recap, SBF's Recovery Fund is a grant awarded by Sarawak government to the Sarawak Business Federation (SBF) for the purpose of capacity building program of its members.

SOPPOA is an associate member of SBF. Therefore, has given the opportunity to participate in applying for the fund.

In the last couples of months, SOPPOA has have engagements with other local learning institutes on similar intention as well.



Working Committee Meeting Of Proposed Palm Oil Mill Technology Conference & Exhibition on 16 Feb 23



The intention to organize a palm oil mill conference was proposed on 1 Feb 23.

Subsequently, this meeting was called to discuss about the formation of working committee, outlining conference program and budget.

The meeting has agreed to appoint Mr. Tian Foon Howe of MJM Palm Oil Mill, who is also present SOPPOA Mill Committee Chairman, as a chairman for the working committee.

The Working Committee Members are:-

- Chairman: Tian Foon Howe
- Secretary: SOPPOA secretariat
- Treasurer: William Wong
- Publicity: Jeffery Tiong, Lee Wei Keat, Joseph Ling
- MC: Outsource
- Conference: Coco Lau
- Exhibition: Tian, Richard Sia, Basil Chua
- Dinner: Hiu, Coco Lau
- Identify speaker: Felix, Tian, Lee Kiat, Richard, William
- Photographer: Outsource

Few suggestions on the name of the conference were for example SOPPOA Palm Oil Mill Conference & Exhibition, SOPPOA Milling Technology Conference & Exhibition.

The members will also choose a theme for the event from several proposals.

The 2-day event will be held on 8 & 9 Aug 23.

The number of participants for the conference is limited to 200 people, while the exhibition at 30 booths.

A 35 round tables gala dinner with life performance will also be included.

The event will be officiated by YAB deputy prime minister who is also the minister for Plantation and Commodities.

The venue is at Imperial Hotel, Miri due to its location and facility.

The meeting also drafted the tentative program that covers 4 significant areas such as milling & processing, quality & analytical, environment & sustainability, and biomass & circular technology.



Webinar On Boosting Productivity Through Technology In The Plantation Industry on 21 Feb 23

This webinar was brought by the Malaysian Productivity Corporation (MPC) which is a statutory body under the Ministry of Trade and Industry (MITI).

The objectives of MPC are to provide value-added information on productivity, quality, competitiveness and best practices through research activities and databases, developing human capital and organizational excellence for building a knowledge-based society through training, systems development and best practices and nurturing innovative and creative culture for productivity and competitiveness through partnership programs.

The invited speaker was Hj. Rahmat who used to work as senior operation manager at Guthrie Bhd from 1991-2007. He is current a product development director for agricultural product company that importing food product from Thailand and exporting oil palm-based products to other countries.

The speaker admitted that the issue related to workers in plantation and its relationship with mechanization has been discussed for decades.

In this webinar, he was more interested in highlighting the reasons why mechanization was not successful in plantation operation rather than sharing the relationships between the migrant workers and mechanization per se.

He summarized five facts on how to empower local skills sets together with mechanization into the oil palm industry to achieve better productivity.

1st FACT

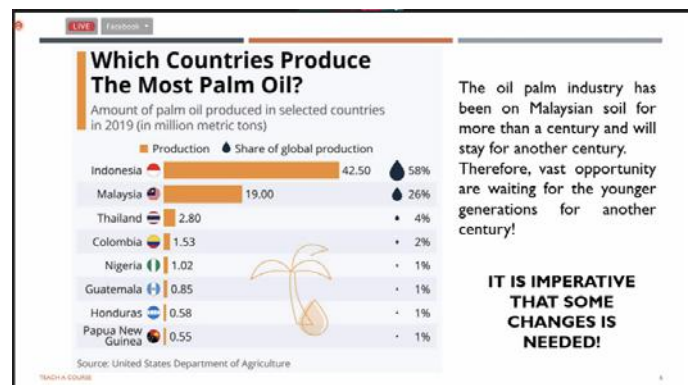
He explained that our current planted hectares (as Dec 21) stood at 5.74 mil ha.

Based on the forecast, he palm oil export revenue was expected to fall by 24.1% in 2023 to RM102.5 bil compared to a record RM135 bil last year.

The labor shortage had caused the industry RM20 bil in 2022.

The usage of technology in the oil palm plantation sector could have impacted on yield improvement and strengthening competitiveness.

However, Malaysia is at risk as it is too dependence on migrant workers.



2nd FACT

He stressed that migrant worker dependency is an inhibiting factor and counter productive to the Malaysian palm oil industry.

In addition, palm the employment of unskilled migrant workers will further inhibit productivity.

However, the combination of skillsets and technology will undoubtedly uplift productivity to the next level.

For example, the harvesting productivity between manual and motorized cutter evidently demonstrated an increase in FFB harvested per day per worker from 1.14 MT to 2.256 MT, whereas the harvesting round increased from 1.96 ha to 2.51 ha.

3rd FACT

He pointed out that there is an image problem when it comes to manual labor and plantation work.

The locals shunned from plantation because of the bad perception of 4Ds – dirty, difficult, dangerous, and demeaning.

However, this is not the same compares to oil and gas sector despite it is also 4Ds.



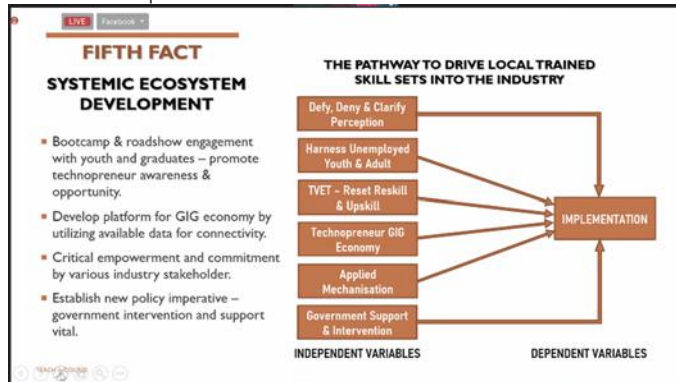
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4th FACT

DOSM statistic showed that there were more than 500,000 youth and adults were unemployed as Dec 22.

He opined that in order to harness this group of human capital, the palm oil industry need to empower change by employing digitalization and big data analytics, stakeholders collaboration and commitment to drive mechanization initiatives and to develop ecosystem for GIG economy.

Another word, this abundant human capital must be attracted by all mean through bootcamps and roadshows to disseminate the right information with clarity, objectives, intend and purpose about the true opportunities available for them in the industry followed by reskill and upskill.



5th FACT

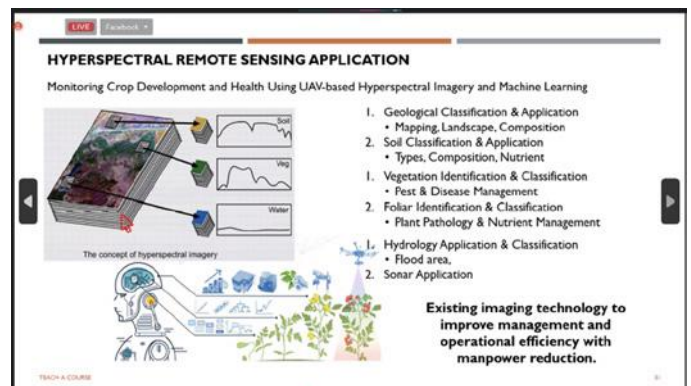
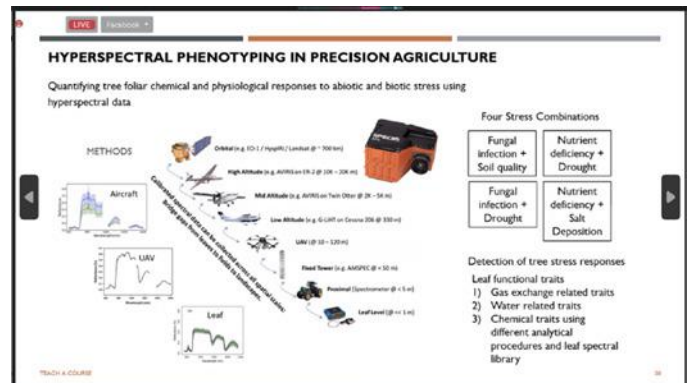
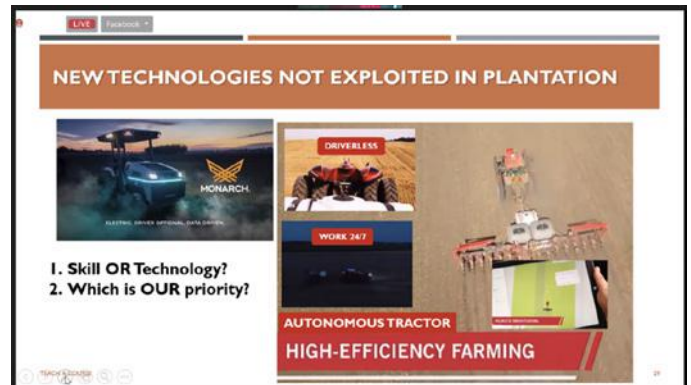
He pointed out that it is imperative to have a systemic ecosystem development to attract youth into the plantation.

The TVET has to be reset again as mentioned by the Youth and Sport Minister to avoid duplication and wastage in its implementation that synergizing all the independent variables.

The speaker iterated that there is no need of new invention in terms of mechanization which is time-consuming but should look at how to improving and customized existing technology to use.

A research by Faculty of Plantation and Agrotechnology, UiTM revealed that factors like wages, benefit, appreciation, influencing and positive environment also influenced labor productivity in oil palm plantation.

The speakers also shared few potential technologies that can be exploited by oil palm sector.



Webinar On Plant Disease Sensing Using Hyperspectral Imaging And Machine Learning Techniques: A Case Study In Ganoderma Boninense Infection on 27 Feb 23

This presentation was given by Assoc. Prof. Ts. Dr. Siti Khairunniza Bejo, who is head of SMART Farming Technology Research Center (SFTRC) at Department of Biological and Agricultural Engineering, Faculty of Engineering, Universiti Putra Malaysia.

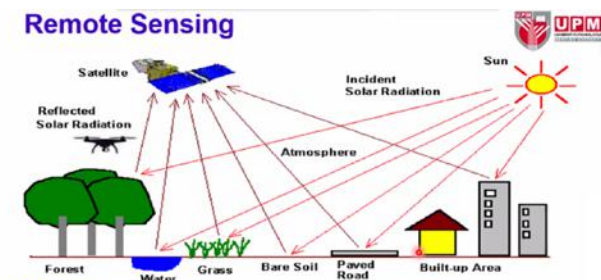
SFTRC has been involved in researches on the farming management concept using modern technology to increase the quantity and quality of agricultural products. The research center addresses a wide spectrum of topics in recent agricultural engineering and technologies development including appropriate mechanization; agricultural automation; smart cultivation practices; green and zero waste technology; GPS/GIS; remote sensing; soil scanning; agricultural informatics; and Internet of Things technologies.

Introduction

The goal of crop protection is to reduce natural enemies such as weeds, pests, insects, and diseases that would eventually reduce food supply. This is done by better management and to introduce more disease resistant varieties not only to prevent the spread of the disease in the plantation and subsequently economic losses, but also can reduce the pressure from plantation area expansion that leads to more sustainable crop production.

One way of achieving this is via in-cooperating technologies in to the management of plantation.

i. Remote sensing technologies rely on a variety of electromagnetic energy. The sensors detect and measure electromagnetic energy in different portions of the spectrum. The entire range of electromagnetic waves is known as the electromagnetic spectrum which ranging from gamma rays to radio waves.



Definition
Science and art of obtaining information about an object, area or phenomenon through an analysis of data acquired by a device that is **not in direct contact with the area, object or phenomenon under investigation.**

ii. Artificial Intelligence (AI) is defines the development of computer systems that are capable of performing tasks

that require human intelligence for decision making, object detection, solving complex problems and so on.

Basically AI can be divided into 3 stages:

They are (1) Machine Learning, where a set of algorithms used by intelligent systems to learn from experience, (2) Machine Intelligence, where advanced set of algorithms used by machines to learn from experience, and (3) Machine Consciousness, where self-learning from experience without the need of external data.

Case study on detecting Ganoderma boninense in oil palm seedling

This study aimed to identify the most suitable machine learning model to classify the inoculated and uninoculated oil palm seedlings with *G. boninense*. A total of 1122 sample were collected from frond 1 and from 2 of 28 oil palm seedlings at the age of 10 months old, with 540 and 582 reflectance spectra extracted from the samples.

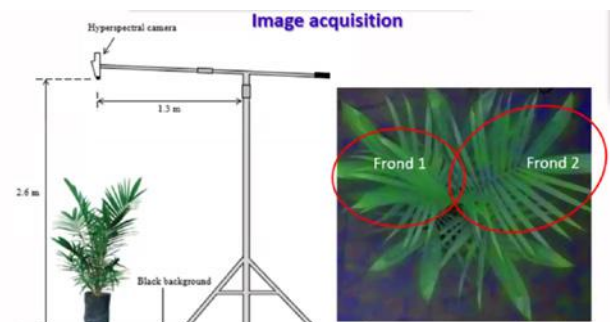


Figure 4. Illustration of hyperspectral image acquisition setup inside the greenhouse.

Figure 5. Top view image of frond 1 (F1) and frond 2 (F2).

Example of significant wavelength selection

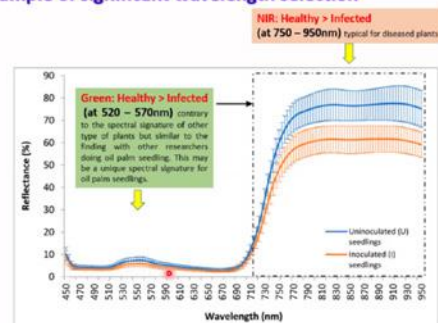


Figure 8. Spectral reflectance at U and I treatments. Each value represents a mean of 540 and 582 sample points of U and I, respectively. Vertical bars represent standard deviation.

The study concluded that hyperspectral imagery has the advantage of capturing spectral data at much narrow bands.

NIR region is able to detect asymptomatic infected seedlings due to its capability to obtain information from the interior tissue.

Annual Palm Oil Outlook Seminar Organized by UOB Kian Hian on 6 Mar 23

1 Palm oil futures to stay high in 2Q on expectation of lower inventory

Crude palm oil (CPO) futures prices are expected to remain high at between RM4,200 and RM4,700 per tonne in the second quarter of 2023, said Indian Vegetable Oil Producers' Association president Sudhakar Desai.

CPO futures are currently trading at a four-month high, with the March contract closing at RM4,260 per tonne on Monday (March 6).

Sudhakar said the price reflects continued expectation that production of the commodity in both Malaysia and Indonesia will drop.

"In June 2023, it is possible that Malaysian stocks will go below two million tonnes, which can be a trigger by itself for the price outlook. But it is all very dependent on many factors such as China's reopening and demand, Indonesia's policy, Ukraine-Russia crisis, Indian demand. There are so many uncertainties," he said.

Malaysia & Indonesia Palm Oil S&D

PALM S&D	Malaysia			Indonesia			Malaysia + Indonesia		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
JAN-DEC									
Opening Stock	1.27	1.62	2.20	4.42	5.19	5.90	5.69	6.80	7.49
Production	18.32	18.45	18.95	46.43	48.30	49.78	64.54	66.75	68.72
Import	1.17	1.14	1.02	-	-	-	1.17	1.14	1.02
Total Supply	22.56	23.23	24.19	52.87	55.51	57.09	75.44	78.74	81.28
Export	15.57	15.73	16.44	28.95	28.96	28.19	44.51	44.69	44.63
Domestic Consumption	2.87	2.85	2.98	8.96	9.59	10.20	11.83	12.44	13.18
Biodiesel Production	0.48	0.44	0.44	7.75	9.65	10.88	8.23	10.08	11.27
Total Consumption	18.91	19.01	19.85	45.66	48.19	49.22	64.57	67.21	69.07
End Stock	3.67	4.22	4.33	7.21	7.32	7.88	10.87	11.53	12.21

- Malaysia Production at 18.9 Min T. Increase growth of 2.6%
- Indonesia production at 49.77 Min T Increase growth of 3%
- Indonesian usage: assumed 10.82 Min T

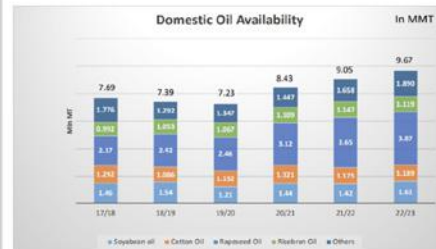
Speaking at the UOB Kay Hian Palm Oil Outlook Seminar on Monday, Sudhakar said CPO futures prices are expected to normalise in the third and fourth quarters, at between RM4,300 and RM4,500 per tonne, as inventory levels are expected to remain stable.

"Going ahead in July, August and September, the prices are becoming a little bit normalised due to inventory levels remaining the same. Palm oil will retain its ability to find markets because the global market will react to palm oil demand or lack of it," he said.

Sudhakar said India, the world's second-largest palm oil consumer, will import some 14.32 million tonnes of vegetable oils in 2022/2023, comprising 9.3 million tonnes of palm oil, 3.01 million tonnes of soybean oil, and 2.01 million tonnes of sunflower oil.

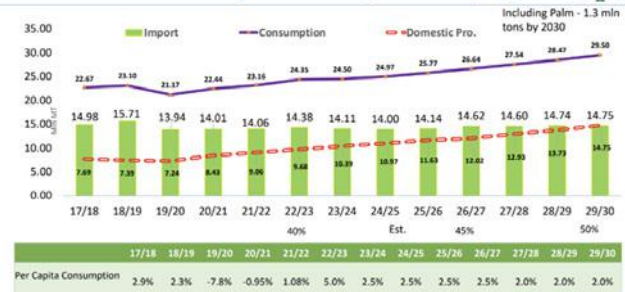
"India's edible oil consumption in 2022/23 has grown steadily due to a steep drop in prices coupled with demand. India's increased festival spending too points to higher imports of edible oil," he added.

Domestic Edible Oil Production



- Mustard and soya crops have gone up 57% and 31% last 3 years.
- DOC / Meal exports from India 70% higher at 3.2 million tons driven by rapeseed extraction.

Indian Edible Oil Consumption Scenario (Oil Year Oct/Sep)



Price Elasticity of Palm Consumption



On a global scale, palm oil production is likely to reach 79.22 million in 2022/2023, a 10% uptrend from 2021/2022. In contrast, global demand for soybean is lower by 0.3% to 60.19 million tonnes.

Global palm oil production is estimated to grow 4.81% to 78.12 million tonnes, while soybean output is seen to increase 2.82% to 60.61 million tonnes. – The Edge Markets

Price Forecast – Earth is Round.

	BMD – (MYR - 3rd Month)	CPO FOB (USD)	SOYA FOB (USD)	SUN FOB (USD)
AMJ '23	4200 - 4700	1015 - 1125	1150 - 1250	1150-1300
JAS '23	4300 - 4500	1035 - 1080	1135 - 1200	1200-1250
OND'23	4300 - 4500	1035 - 1080	1150 - 1250	1200-1300

Checked on Chatgpt. No luck



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2 Heavy rainfall, floods to affect Malaysia's 2023 CPO production

Palm oil production in 2023 is expected to be impacted by the current heavy rainfall and flooding phenomenon in parts of Malaysia, said a researcher at the UOB KayHian Palm Oil Outlook Seminar on Monday (March 6).

Ling Ah Hong, director at palm oil research and consulting firm Ganling Sdn Bhd, said higher than usual rainfall, which often leads to flooding in oil palm estates, poses operating and logistic challenges that lead to disruption in fruit harvesting.

"We have three months of exceptionally higher rainfall which disrupts supply. In Malaysia, our original forecast was for palm oil production to recover from 18.4 million tonnes to 19.1 million tonnes. But looking at the last three months, there might be slight adjustment.

"But not all the areas are flooding and affected. There might be an adjustment of 0.2 million tonnes or so. If the rainfall continues into the second quarter, the impact will be greater," said Ling.

Heavy rainfall causes damage to infrastructure to plantations, such as roads and bridges, causing greater difficulties in transporting harvested oil palm fruits from estates to mills.

Over the past week, heavy rains caused flooding in parts of Pahang and Johor. Both states are major palm oil producers in the peninsula.

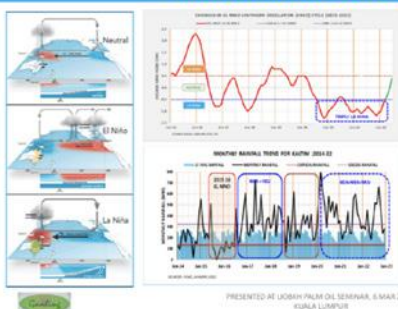
Ling said the longer the fruits stay unharvested on the oil palm trees, the lower the oil extraction rate, affecting production per hectare.

Nevertheless, he added, the weather conditions are likely to improve, leading to a better quarter for plantations.

La Nina events usually bring high or above average rainfall to Southeast Asia, where Indonesia and Malaysia, two of the world's biggest palm oil producers, are located. However, the phenomenon causes droughts and high temperatures in the Americas.

He further added that historically, La Nina following an El Nino usually assists in yield recovery.

CHANGES IN CLIMATE DRIVER : END OF THE TRIPLE LA NINA AND EMERGENCE OF EL NINO ?



- The ENSO (red-green) has changed from the strongest El Nino in 2015 to two weak short-lived La Nina in 2016-17 and then followed by a weak El Nino in 2018-19.
- The ENSO cycle then entered another La Nina phase with two consecutive La Nina in 2020-22. We are now in the 3rd La Nina from 2H22-1Q23 (very rare!).
- Models from CPC indicate 3rd La Nina to transition to neutral ENSO in 2Q 2023 (82% chance) and possibly El Nino in 2H 2023 (51% chance).
- La Nina event usually brings high or above average rainfall to SE Asia – Indonesia and Malaysia (palm oil), but droughts/high temperatures to North and South Americas (soybeans).

IMPACT OF TRIPLE LA NINA ON PALM OIL SUPPLY - can expect better supply in 2023



Unlike El Nino, it is more difficult to estimate the impact of La Nina on productivity

- El Nino usually result in yield drop: -2% to -23%
- La Nina following an El Nino is positive for yield: +6% to +24%
- Historically La Nina following an El Nino usually assist in yield recovery.
- High rainfall and flooding during La Nina period may cause short-term disruptions to harvesting operation, logistics and poorer fruit-set.
- The impact on palm production is usually immediate and for a short period.
- The good La Nina rainfall in 2020-22 should be supportive of yield recovery in 2022 and 2023.
- The 3rd La Nina 4Q22-1Q23 will continue to be supportive to FFB production in 2023 subject to no excessive/high rainfall or flooding.

He further added that historically, La Nina following an El Nino usually assists in yield recovery.

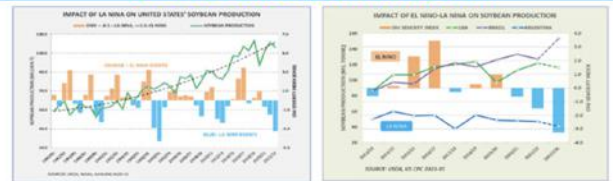
"High rainfall and flooding during La Nina period may cause short-term disruptions to harvesting operation, logistics and poorer fruit-set," said Ling.

He further noted crude palm oil (CPO) prices are expected to weaken in the second half of 2023 (2H2023) due to seasonally higher CPO production, high inventory level and subdued demand.

In January, according to data from the Malaysian Palm Oil Board, CPO inventories rose by 3% to 2.27 million tonnes, above market expectations of 2.18 million tonnes.

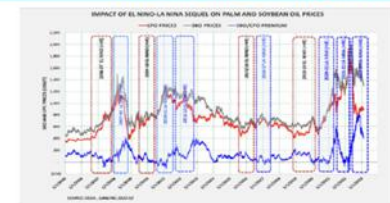
"With good weather conditions in Malaysia and Indonesia, we expect palm oil supply to recover in 2023. The prevailing La Nina rainfall will continue to disrupt supplies in 1Q2023 (first quarter of 2023). Production will trend higher in the 2H2023 into 1Q2024," he added. – The Edge Markets

IMPACT OF THREE SUCCESSIVE YEARS OF LA NINA ON GLOBAL SOYBEAN PRODUCTION – TIGHT SUPPLY



- Of the 22 El Nino events recorded since 1950, about 2/3 were followed by La Nina and had affected soybean yield (65% chance).
- Two consecutive back to back La Nina in 2010-12 led to the 2011-12 drought in USA with devastating impact on soybean production.
- The recent La Nina droughts in 2020-22 have adversely affected soybean yield and production in Southern Brazil and Argentina – tightness in global supply of soybean and high prices.

TRIPLE LA NINA EVENTS + UKRAINE WAR DRIVE THE SOY AND PALM OIL PRICES TO RECORD HEIGHT IN 2022



- SBO/CPO premium narrow or turn negative during periods of tight SBO supplies due to La Nina conditions after an El Nino event
- Present SBO premium over CPO at USD 406/T, is well above the 1A-10Y of USD 136/T.
- Indicate continued tightness in SBO supply and supportive of current CPO prices till 2023.
- The SBO-CPO spread is about to change/normalise with change in the climate drivers (ENSO).

The departure of the 3rd La Nina (2023) and possible emergence of an El Nino in 2H 2023 may bring more rainfall and boost soybean yield in the 2023/24 season – weakening of SBO prices.



34th Palm & Lauric Oils Price Outlook Conference & Exhibition (Poc2023) on 6-8 Mar 23

1 Background

Bursa Malaysia Derivatives Bhd (BMD) is a wholly-owned subsidiary of Bursa Malaysia Bhd which provides, operates and maintains a futures and options exchange. It offers the most liquid and successful crude palm oil futures (FCPO) contract in the world, consolidating Malaysia's position as the global center for palm oil price discovery.

BMD hosted its flagship event, POC2023, from 6 to 8 March 2023 at the Shangri-La Hotel in Kuala Lumpur that featured about 40 exhibitors and attracted over 3,000 participants from all over the world.

The POC2023 was Officiated by YAB Dato' Sri Haji Fadillah Bin Haji Yusof, Deputy Prime Minister and Minister of Plantation & Commodities, POC2023 will feature a line-up of 28 leading industry speakers, including Mr Dorab Mistry, OBE, Director of Godrej International Trading & Investments Pte Ltd, Datuk Darrel Webber, Climate Advisor to the State Government of Sabah & Chairman of PT DSNG Sustainability Board, and Dr James Fry, Chairman of LMC International Limited, among others.

In his welcoming speech, Datuk Muhamad Umar Swift, Chairman of BMD and CEO of Bursa Malaysia Bhd, the POC2023 served as a platform for industry players to exchange ideas and gain a dynamic understanding of the latest commodities market trends and challenges. The knowledge gained will enable global market players to make strategic decisions and capitalize on emerging opportunities for sustainable and profitable growth.

He added that with global economic uncertainties such as geopolitical risks, inflation rates and supply-chain dynamic continuing to impact the palm and lauric oils price outlook and suggested that it was critical that market participants to stay abreast of latest developments to navigate today's demanding market conditions.

On the other hand, Bursa Malaysia chairman Tan Sri Abdul Wahid Omar advised that market participants to be prepared to capitalize on heightened price volatility brought about by the challenging operating environment and markets. This is given the likelihood that global macroeconomic headwinds will persist in 2023.

According to him, in times of market volatility, both producers and consumers of commodities might find exchange-traded derivatives to be effective risk-mitigation tools that could also preserve their portfolio values.

He added that as the global hub for palm oil price discovery, BMD remains steadfast in developing a sustainable marketplace by improving its ecosystem and enhancing its products as reliable hedging instruments against price volatility.

On the outlook of the industry, he projected the Malaysian palm oil industry is expected to maintain its robust standing and demonstrate strong growth despite ongoing global economic uncertainty.

2 Highlights of DPM Opening Speech

i. All-out war against anti-oil palm campaign

The government is working with plantation industry players to counter the negative campaign against palm oil, deputy prime minister Fadillah Yusof said today.

"The unfair narrative by the EU to create a negative perception of palm oil amounts to a trade barrier," he said. Fadillah, who is also plantation and commodities minister, said Malaysia is joining forces with other palm oil producing countries to ensure that there is no gross misrepresentation.

"It is important for palm oil producing nations to highlight measures we have taken to dispel any misconception about palm oil," he said in reference to the European Union Deforestation-free Regulation (EUDR). The EUDR is a drive introduced in November 2021 to limit deforestation caused by the consumption of agricultural commodities and products around the world.

Fadillah, who was speaking at the 2023 palm and lauric oils conference and exhibition here, said Malaysian palm oil producers, on their part, should also ensure that their production process does not have a negative impact on the environment.

"It is pertinent for us to continue to support the production of sustainable palm oil under the Malaysian sustainable palm oil (MSPO) certification scheme," he said. The scheme grades oil palm plantations, smallholdings and processing facilities to ensure there is no biodiversity loss, land conflict, deforestation and forced labour.

The EUDR lists palm oil, as one of the commodities that drive deforestation and forest degradation through the expansion of agricultural land. – Daily Express

ii. National Biomass Action Plan to be ready in July 2023

According to the minister of Plantation and Commodities, he is aspired to have a sustainable circular economy within the five sectors namely plantation, agriculture, livestock, fisheries and forestry by a the systemic use and processing of biomass into high-value added products which can generate additional income to the industry as a whole.

"One of the high-impact projects that will be embarked on by the MPOB within the 12th Malaysia Plan will be the production of lignocellulose from biomass that can be utilized in various sectors such as food, pharmaceutical and cosmetic industries".

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He also said his ministry is currently charting an implementation plan for carbon as a commodity following Bursa Malaysia's effort in establishing its Carbon Trading platform. – Dayak Daily



SOPPOA received a token of appreciation as a supporter of POC2023

3 Panellist's views

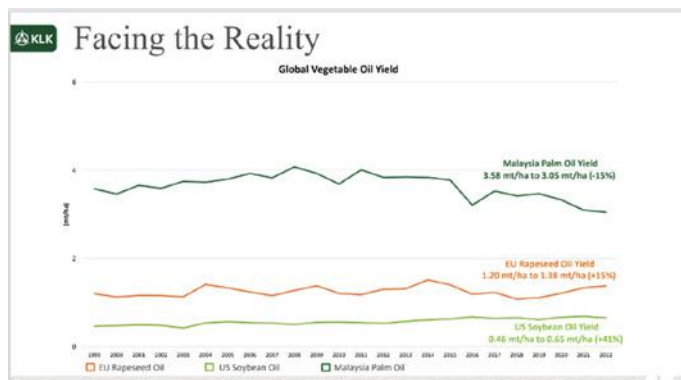
Kuala Lumpur Kepong Bhd (KLK) chief executive officer Tan Sr Lee Oi Hian urged local upstream players to "get out of their comfort zone" and improve their competitive edge.

He said "if we just tighten our management, most plantation companies including KLK can easily get a 10% increase in yield".

He pointed out that palm oil has always been touted as a wonder crop, which is able to produce eight times of soy oil in terms of per hectare basis. However, in reality, the palm oil production per hectare all these years has been declining, whereas the competing oils like soy, rapeseed and sunflower have made great progress in the production of oils in terms of per hectare.

He stressed that there is also a need for transformational research and suggested industry players to look deeper into the use of microbes which could reduce the use of fertilizers by 20%.

IOI Corporation Bhd's group managing director and chief executive Datuk Lee Yeow Chor suggested that the Malaysian palm oil industry to expand further downstream due to land limitation in the upstream segment.



"Malaysia companies have suffered a bit of stigma for being regarded as a commodity-based industry. My vision is that if we can transform the downstream, we can transform the industry to a more stable and multisectoral based industry", he said. – The Edge Markets

4 Climate change poses major challenge for agriculture commodity sector

Climate change continues to be the biggest challenge for the agricultural commodity sector, including palm oil, this year, said an industry expert.

Godrej International Trading and Investments Pte Ltd director Dorab Mistry said the sector is facing great danger as the capricious weather conditions could destroy crops within two days.

He also cautioned that the El Nino climate phenomenon could hit a wide geographical range from Pakistan to Australia and that would have a profound effect on agricultural commodity production.

"I don't know if the El Nino phenomenon will start in June, July or August, so it is impossible to say if Malaysia can produce 18 million tonnes of crude palm oil this year," he said at the 34th Palm and Lauric Oils Price Outlook Conference and Exhibition (POC2023), here today.

Palm Outlook 2023

- Malaysian stocks will be drawn down until May 2023 and will go below 2 million tonnes
- Indonesian B35 programme will keep stocks tight in the First Half of 2023
- After May, we are in the hands of the Climate God – will an EL Nino unfold ?

Mistry said if El Nino does not begin in June or July, palm oil production would run as normal and consequently, prices could decline after August this year.

However, should the new cycle begin, psychologically, palm oil prices would trend higher, he said, adding that with aggravated climate change, industry players could not be bearish on agriculture prices anymore.

"The path to safety for consumers and producers is by hedging and careful positioning in the market," he said. Nonetheless, he expects the price outlook for palm oil to range between RM3,500 and RM5,000 per tonne by end-May this year for Malaysia. Mistry said that the palm futures on the Bursa Malaysia Derivatives (BMD) third-month trading would be between RM4,000 and RM5,000 till August this year.

Meanwhile, following tighter palm oil stocks in Indonesia, he said export vessels are keener to ship from Malaysia, as

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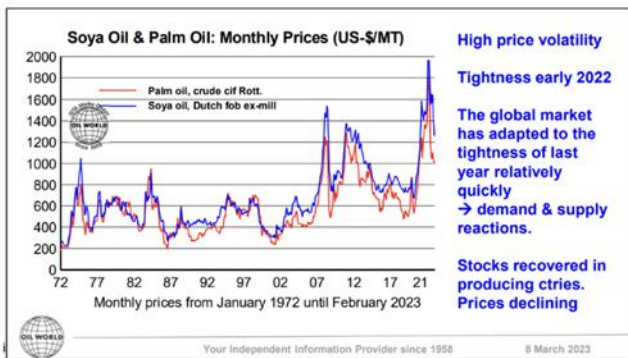
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the discount of palm oil prices in Indonesia or Malaysia has virtually no gap.

"This will lead to better and higher exports in Malaysia than anyone expected, and it is the Malaysian exports and stocks that will determine the price output, not Indonesia's," he added. – BERNAMA

5 Palm oil industry growth slows due to sustainability, management constraints

The palm oil industry has lost its growth momentum due to the slow expansion of plantation areas, high input costs, and stringent sustainability standards, as well as insufficient replantings and management constraints that have resulted in below potential yields, Thomas Mielke, Executive Director of ISTA Mielke GmbH Oil World stated while speaking at the POC2023 conference in Kuala Lumpur.

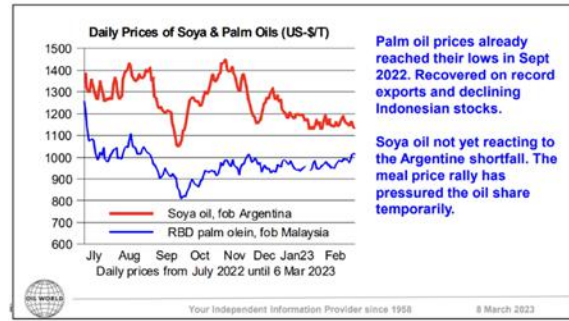


Mielke expressed that the growth momentum of the industry has slowed down significantly. He also highlighted that the expansion of plantation areas has reduced, and the high input costs, along with stringent sustainability standards, have deterred investors from investing in the industry.

"Insufficient replantings and management constraints have led to palm yields being below their potential," he noted. He further added that he expects the RBD palm olein free-on-board price to average \$1,150 per ton for July/December this year.

The palm oil industry has been facing sustainability issues for quite some time now, with concerns being raised about deforestation, wildlife habitat destruction, and human rights violations. The industry has been taking steps to address these concerns, with companies and organizations implementing various sustainability standards and practices.

Despite these efforts, the industry still faces challenges, and experts like Mielke believe that the industry needs to do more to address these issues and attract investment. – Mettis Link News



6 Take-Home Messages

- **Stay NEUTRAL; Top Picks: Kuala Lumpur Kepong (KLK), IOI Corp (IOI), and Wilmar International.** Most speakers at the 2023 annual Palm & Lauric Oils Price Outlook Conference & Exhibition (POC 2023) declined to give average price forecasts for the year. Those that did had diverse views, with three being neutral to slightly bearish and three more bullish. As such the price projection range was wide – ranging between MYR3,760-5,300/tonne. We continue to advocate buying the integrated players for plantation exposure.
- **Most speakers declined to commit to an average price for the year,** with only six speakers giving price forecasts. We note that the views were relatively more diverse this year, with speakers having different viewpoints on the impact of La Nina and Indonesia's biofuel policy as well as the level of demand destruction caused by the oncoming economic slowdown. Of the 11 speakers, U.R. Unnithan Dr Fry and Rasheed Janmohammed had more measured bearish views, while Luc Pfisterer, Thomas Mielke and Dorab Mistry were more bullish.
- **We saw a trend of either relatively neutral or more bullish price projections – and nothing in between.** Three speakers gave neutral to slightly bearish price projections – ranging between MYR3,760- 4,200/tonne, while three speakers gave more bullish price projections, ranging between MYR4,000-5,300/tonne.
- **Main factors to watch out for** are the impact of La Nina on Argentinean soy output, any changes to global biofuel policies, developments on the Russia-Ukraine war and the grains corridor, Indonesian policy changes as well as the potential development of El Nino in 4Q2023.
- **Sustainability will continue to be the name of the game** for plantation players, especially with the new EU deforestation law which will be effective from Dec 2024 as well as the scrutiny of labour practices in the industry. To comply with the EU deforestation law, planters will need to step up its efforts via implementation of industry-wide real time digital traceability, ensure collaboration of information through adoption of cloud technologies and to get regional Government agencies/regulators on board to help the industry comply at the lowest cost. Most importantly, smallholders cannot be left behind in the move to sustainability, given nearly 40% of palm oil is produced from smallholder plantations.
- **Maintain sector NEUTRAL.** We make no changes to our CPO price assumptions of MYR3,900/tonne for 2023. The main risks to our call would be weather extremities, and policy changes in Indonesia. We continue to advocate buying integrated players like KLK, IOI, Wilmar, and Golden Agri.

Source: RHB Research

54th Council And 15th Annual General Meeting of SOPPOA on 22 Mar 2023



The 54th Council Meeting was held at 1000am while the 15th Annual General Meeting was at 200pm on 22 March 2023.

Both meetings were chaired by Mr. Eric Kiu who also the Chairman of SOPPOA for Term 21/23.

In his opening remarks, he welcomed all the presence and cautioned that the price of CPO ahead would remain volatile in views of uncertainties of world markets.

1 Treasurer's report

Mr. Tang, on behalf of the Treasurer, presented the Financial Statement ended 31 December 2022 and reported that contribution received from members based on RM0.10 per MT FFB was RM49,748, while the memberships' subscription fee was RM89,800 and Permanent Council Members' subscription fee was RM630,000.

The total operating expenses was RM359,789 and the income tax payable was RM638 for the period.

He informed that the average monthly office operation was RM25,000 per month.

The Association also opened a Fixed Deposit account with Maybank since November 22.

2 Secretary's report at the Council Meeting

A total of 3 webinars were organized to benefit the members from September 22 to February 23 (meeting the targeted 1 webinar in 2 months).

Secretariat and Council Members have also made several visits to the state ministries as well as engagements with stakeholders.

The secretariat also highlighted the list of priorities for 2023 namely:-

- i. Food Analyst Act
- ii. 3MCPDE & GE
- iii. Clean Air Regulation
- iv. Labor
- v. Taxation

3 Secretary's report at the AGM

3.1 Labor

In the past year, the secretariat and Council Members have visited the Chief Minister, Deputy Minister for Immigration, Labor and Project Monitoring Sarawak (ILMU), Minister for Modernization of Agriculture and Regional Development



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Sarawak (MANRED), and State Secretary to discuss issues related to foreign workers.

Despite there was noticeable improvement in terms of processing times, many members continued experiencing delayed.

Below are few challenges faced by employer during the process of recruitment of foreign workers:-

- i. Multi-ministries or departments involvement – JTK and Immigration are directly responsible for the process of FW recruitment. However, this is not possible until an approval of AP is obtained from the state secretary office which involving multiple departmental representative,
- ii. Fragmented processes – Based on many meetings with the relevant authorities of FW recruitment, it was opined major caused of delay in processes could have been the poor communication system between the different departments. Deputy Minister claimed that ILMU is working on a online platform to streamline the 2 departments involve in FW recruitment to reduce red tape.
- iii. Fluid policy – In the last 2 years we have witnessed the ever-changing policies in FW recruitment that caused great confusion to stakeholders.
- iv. MSEN single submission – The system does not allow multiple or concurrent applications. The following application can only be submitted once the former application is approved.

3.2 Air pollution control system (APCS)

SOPPOA has managed to obtain an extension for the operation of incinerator until 2024 with the assistance from deputy minister for Energy and Environmental Sustainability Sarawak.

However, the DOE was adamant that no further extension will be given on mandatory installation of APCS at boiler.

Secretariat informed that after numerous appeals by SOPPOA, the time limit for unabsorbed adjusted business losses carried forward, effective year of assessment 2019, was extended from 7 years to 10 years.

3.3 Taxation

On 2 Feb 23, SOPPOA has been invited by Ministry of Plantation and Commodities (KPK) to discuss and formulate Term of Reference (TOR) for the study of Malaysia palm oil taxation system which includes Windfall Profit Levy.

3.4 Plantation management courses

Secretariat reported that Sarawak Skills is unable to provide plantation management courses as its target group is school leavers.

On the latest development, Riamtec has sent 9 potential candidates for qualification exam under Vocational Training Officer (VTO).

3.5 R&D collaboration

Among all the joint research projects submitted in 2021, only research project in collaboration with UNIMAS successfully obtained grant from MPOCGF amounting to RM400,000 for the study on HCV.

4 Election of council members for term 23/25

The election was led by Mr. Loh Wei Siong of Reddi & Co.

Upon the closing of nomination, there were 7 nominees received for the 5 post of council members allocated for Ordinary Members and only 1 nominee for the 1 post allocated for Associate Members.

The election was smoothly conducted with the new line up of council members for term 23/25 as following:-

i. From Permanent Council Members

Company	Representative
SOPB	Eric Kiu Kwong Seng
Ta Ann	Simon Wong Siik Onn
Solid Oil Palm	Daniel Ding Huong Chen
Salcra	Joseph Blandoi
Rimbunan Sawit	Danny Tiong Chion Ie
SPAD	Iswandi Ayub
Imbok Enterprise	Lim Hong Hin

ii. From Ordinary Members

Company	Representative
Shin Yang Forestry	Andy Wong Ko Hock
SOP (Kemena)	Paul Wong Hee Kwong
Seatex Development	Dato' Ha Tiung Noon
Usaha Sepadan	Dato' Sri Law Kiu Kiong
Tradewind Plantation	Hj. Rosli bin Mohamaed Taib

iii. From Associate Member

Company	Representative
Polima Forest Bintulu	Jeffrey Ngieng Hock Yew

The elected council members have agreed to call for the election of office bearer on a suitable date soon.



ESG Investing: Retail Investors As A Change Agent by Bursa Malaysia on 22 Mar 23

ESG commitment is increasingly important to retail investors, According to Oxford Risk research, 50% of respondents plan to move of their investments into ESG. Further, across the country, 36% of investors want to put their money towards addressing climate issues.

What is ESG?

ESG, stands for environmental, social and governance criteria, is the framework companies use to evaluate their sustainability. Environmental factors examine the conservation of the natural world, social factors look at how a company treats people inside and outside the company, and governance factors consider how a company run its operation.

There are some examples of the ESG categories that are covered. For example:-

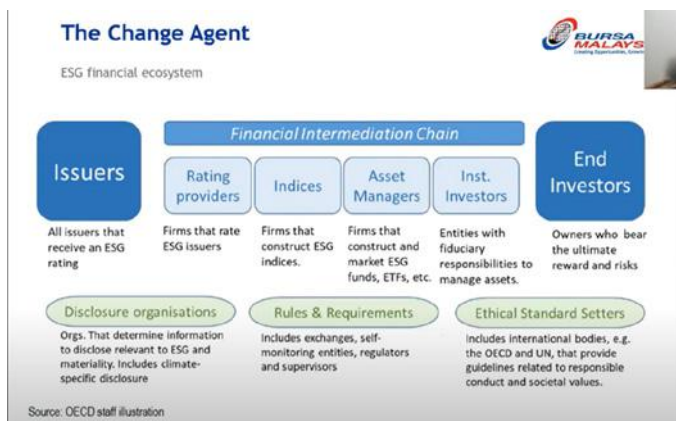
- i. Environment – carbon emissions, air and water pollution, deforestation, green energy initiatives, waste management, water usage, etc;
- ii. Social – employee gender and diversity, data security, customer satisfaction, company sexual harassment policies, human rights at home and abroad, etc;
- iii. Governance – diversity of board members, political contributions, executive pay, large-scale lawsuits, internal corruption, lobbying, etc.

What is ESG Investing?

ESG investing has evolved in recent years to meet the demand of institutional and retail investors and certain public sector authorities that wish to better incorporate long-term financial risks and opportunities into their investment decision-making processes to generate long-term value.

Unlike the conventional financial investment which is fully a commercial investment with limited or no regard for ESG practices, ESG investing enhance long-term value by using ESG factors to mitigate risks and identify growth opportunity.

Chart above illustrates a ESG financial ecosystem to show



the relationship between the Issuer, Financial Intermediary and End Investors on how ESG rating is given.

What is ESG Rating and Indices?

One of the critical ways investors and other market participants use ESG information is through ESG rating, which they obtain from established ESG raters.

Therefore, the ESG rating process and how such rating are converted into indices will be the focus of this section because it contributes to a fundamental transformation of raw ESG disclosure into investment products from which investors can make decisions and take action.

There is a wide range of rating practices in determining which data to include, how to weigh metrics regarding materiality, and layering subjective judgment as to absolute and relative scores within and across the industries.

To facilitate the further growth of ESG investing through funds, which rely on indices from which to develop active and passive strategies, a growing number of third-party analytical firms, including index providers and rating agencies, have helped create the market segment through scoring and index development.

The process includes market data providers such as Bloomberg, Morningstar and Thomson Reuters and firms more focused on financial services, such as MSCI.

Pillar	Thomson Reuters	MSCI	Bloomberg
Environmental	Resource Use	Climate Change	Carbon Emissions
	Emissions	Natural resources	Climate change effects
	Innovation	Pollution & waste	Pollution
		Environmental opportunities	Waste disposal
Social			Renewable energy
			Resource depletion
	Workforce	Human capital	Supply chain
	Human Rights	Product liability	Discrimination
	Community	Stakeholder opposition	Political contributions
Governance	Product Responsibility	Social opportunities	Diversity
			Human rights
			Community relations
	Management	Corporate governance	Cumulative voting
	Shareholders	Corporate behaviour	Executive compensation
	CSR strategy		Shareholders' rights
		Takeover defence	
		Staggered boards	
		Independent directors	
Key metrics and submetrics	186	34	>120

Source: Refinitiv, MSCI, Bloomberg, FTSE, OECD assessment.

The influences of rating providers, the differences in rating methodologies, and their level of transparency in final rating decisions that incorporate qualitative judgements are critical to understanding the resilience of the ESG financial intermediation chain.

Every provider ranks different aspects of the sustainability of the companies its asses. These aspects are then aggregated to create a key metric, which usually defines

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one of the elements supporting the pillar (E, S and G).

These metrics are the result of the aggregation of different submatrices, which measure specific aspects of how an enterprise uses its resources.

ESG Reporting Framework

Given the difficulty in reporting metrics related to sustainability, many public listed are compiling their own ESG reporting guidelines.

Bursa Malaysia has also issued Sustainability Reporting Guide since 2015 to help companies report on ESG.

What you should look into a Company ESG reporting to determined your investment?

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management

Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

Source: SASB website, provided for illustrative purposes





PALM CORNER

CPOPC Meet Consolidates Region on Palm

Source: Palm Oil Monitor

On Thursday (12 February 2023), Indonesia's Coordinating Minister for the Economy Airlangga Hartarto and Malaysia's Deputy Prime Minister Fadillah Yusof met in Jakarta to focus on one issue: the EU's Deforestation Regulation.

Meeting under the auspices of CPOPC, the meeting gathered a broad array of palm stakeholders – from government to private sector, from smallholder interest to certification – to discuss how to move forward against the EU.

There were two clear things of note from the meeting and its final statement.

First, Indonesia and Malaysia are going to send a joint delegation to Brussels to basically confront the EU on the 'unintended consequences' of the regulation, with exclusion of smallholders being the most notable. Any impact on smallholders has always been a serious red line for both countries, as any change to the global palm oil trade disproportionately impacts a large percentage of the rural population in both countries.

Second, both countries are looking to further rally ASEAN – members and potentially the Secretariat – to work as another platform for the sector. There are rumours – as yet unconfirmed – that Thailand will participate in action being undertaken by CPOPC and/or ASEAN.

According to those in the room, the meeting represented 'years of frustration' created by the EU's approach towards palm oil. An additional red line being discussed among participants was the designation of either or both countries as being "high risk" for deforestation. This represents another source of exasperation: refusal by the EU to accept that both countries have unilaterally implemented measures that have reduced deforestation.

The meeting took place just a few days after the European Commission had started turning up its PR machine in the region. European officials had held briefings for the media, in which they stated "What is important for us to point out is that this law is not a ban on any country or commodity from entering the EU market."

It's precisely these types of statements – where the EU behaves as though there is absolutely no reason for

exporters to be concerned – that infuriate developing countries such as Indonesia and Malaysia.

The EU briefings have also made it apparent that the EU is drafting local NGOs to advocate EU policies among Indonesian stakeholders.

In addition, the EU is only now beginning to consult with the genuine and important smallholder groups in Indonesia that matter.

As has often been the case, this is all too little too late, and the shift in attitude towards to the EU now goes well beyond palm oil.

Last week, Singapore's ISEAS released its survey of ASEAN countries and their attitudes towards partner countries, such as the US, EU and China.

In the case of Indonesian and Malaysian attitudes towards the EU:

- The share of respondents stating that the "EU's stance on environment, climate change and human rights could be used to threaten my country's interests and sovereignty" increased from 17 per cent to 30 per cent in Indonesia
- In both countries, confidence in the EU being able to champion the global trade agenda has fallen over the past year, with both having greater confidence in China
- In Indonesia, the share of respondents that have little or no confidence on the EU to "do the right thing" increased from 30 per cent to 48 per cent, with the number that have confidence falling from 43 per cent to 37 per cent

There can be zero doubt that the EU's approach on palm oil has contributed to this significantly. EU policymakers live in constant denial that it's the country's largest export, and the region's largest agricultural export.

As we've said many times before: what would happen if a country put significant curbs on European farm exports? There would be a considerable backlash among both the farm sector and the population at large.

And that is precisely what is happening in Indonesia and Malaysia – and potentially further across the region.



Malaysian Deputy Prime Minister Sends Clear Message to Brussels

Source: www.mypalmoilpolicy.com

On 24 February 2023, Malaysia's Deputy Prime Minister and Minister of Plantation & Commodities, YAB Dato' Sri Haji Fadillah Yusof, gave a speech before the Malaysian Parliament condemning the European Union's push to adopt the Deforestation Regulation.

The Malaysian government considers the EUDR a discriminatory policy the European Union will use to restrict – or even block – palm oil exports, especially those of small farmers, under the guise of environment and sustainability.

In his speech, YAB Deputy Prime Minister communicated to his fellow parliamentarians that there is no justification for Malaysia to be labelled as a 'High Risk' country under the EUDR, sharing that the Malaysian government expects the EU to give a written guarantee that this will not occur.

He also underscored that Malaysia expects the EUDR to include an exemption for small farmers to safeguard their incomes and their place in the global supply chain, and stressed the need for the European Union to recognize Malaysian Sustainable Palm Oil (MSPO) certification standard and commit to genuine consultation with Malaysia as the Deforestation Regulation progresses in Brussels.

YAB Deputy Prime Minister reminded Members of Parliament of the submission of an objection letter with 13 other commodity-producing countries to the EU Commission in November 2022, as well as Malaysia's coordination with the ASEAN bloc and the 9 February 2023 bilateral meeting with Indonesia where a joint ministerial mission to Brussels to inform EU leaders of their shared frustrations was agreed upon.

Momentum Against EUDR Growing in ASEAN

In recent months, it has become clear that the whole of the ASEAN bloc has grown tiresome of attempts from Brussels to force discriminatory regulations onto the region.

In early January, this became evident after Malaysian Prime Minister Yang Amat Berhormat Dato' Seri Anwar bin Ibrahim made his inaugural trip as head of state to visit Indonesian President Joko Widodo where they made palm oil a top priority.

Following the bilateral talks, President Jokowi stated, "We have agreed to strengthen [our] cooperation through the Council of Palm Oil Producing Countries [CPOPC] to increase the market for palm oil and to fight discrimination against palm oil."

In the wake of talks between the two heads of government, YAB Deputy Prime Minister met with Indonesia's Coordinating Minister for Economic Affairs Airlangga Hartarto, where the two countries agreed to send an envoy to Brussels to voice objections to the EUDR.

Malaysia: Prepared for "Counteraction"

YAB Deputy Prime Minister, speaking to Bloomberg, outlined that Malaysia along with Indonesia will be looking towards "counteraction" if the ASEAN nations are "not fairly treated" by the EU during the implementation of the EUDR.

He added that the two nations aim to send a clear signal to the European Union that their "action is a one-sided, unilateral decision" and does not take into account the opinions of ASEAN nations.

A focal point of Malaysia's displeasure with the EUDR is the attempt "to phase out smallholders from the system" which risks sending Malaysian families and communities back into poverty due to undue regulatory burdens contained in the Regulation.

YAB Deputy Prime Minister has made it clear that Malaysia may "stop exporting to Europe, and focus on other countries" if the Europeans fail to address the concerns outlined by Malaysia and their ASEAN neighbors.

EU leaders should not overlook the effect of this halt on exports, as European companies rely on the import of palm oil from Malaysia and Indonesia to meet growing demand for products containing palm and would be forced to pass the additional cost of sourcing materials onto consumers already sparring with record-high levels of inflation.

Malaysia has clearly grown tired of being dictated to by Brussels and is willing to take the necessary measures to ensure their producers, small and large, do not suffer at the hands of protectionist mandates from EU leaders.