DECEMBER 2023-FEBRUARY 2024 (For SOPPOA Members Only)

E-NEWSLETTER
SARAWAK OIL PALM PLANTATION OWNERS ASSOCIATION

Chairman's Message

Eric Kiu Kwong Seng

Dear SOPPOA Members,

As we approach the end of another remarkable year, I am delighted to look back on all the exciting stuff we have achieved together. It's have been a year that really shows off the hard work and team spirit of our members.

In 2023, SOPPOA spearheaded a series of impactful events aimed to enriching the experiences of our members. Let me highlight a couple of standout initiatives:

1. Palm Oil Milling Technology Exhibition and Conference (POMtec) 2023: This inaugural event showcased an impressive lineup of industry experts and researchers. Their captivating presentations not only share invaluable insights but also highlighted the cutting-edge advancements in palm oil milling technology. It was an excellent opportunity for our members to stay at the forefront of industry developments.
2. Educational Workshop on CPO Price Risk Management: In collaboration with Bursa Malaysia Derivatives, SOPPOA organized a workshop focused on providing our members with key insights into CPO futures contracts. The workshop also introduced alternative methods for engaging in physical CPO transactions. This initiative aimed to empower our members with a deeper understanding of market dynamics and risk management strategies.

Beyond these events, SOPPOA remains committed to community outreach and education. We have actively engaged with local learning institutions to educate the younger generation about the palm oil industry, fostering awareness and knowledge transfer.

Moreover, as an associate member of the Sarawak Business Federation, SOPPOA is thrilled to announce that we have secured a significant sum of RM952,000 in study assistance. This funding was utilized to offer our members training programs on oil palm management and operational courses, all free of charge! It is a testament to our commitment to the continuous development and success of our members.

As we embark on the journey that is 2024, SOPPOA is steadfast in its dedication to delivering value and driving success for our members and palm oil sector in Sarawak.

We will relentlessly pursue our core objectives, ensuring that every initiative and effort is aligned with the well-being and prosperity of our members.

Lastly, your feedback and active participation will be invaluable as we navigate the opportunities and challenges of 2024 together.

HAPPY READING.

Majlis Pelancaran Hari Agrikomoditi Negara On 5 Dec

The National Agricommodities Day (Hari Agrikomoditi Negara, HAKN) 2023 was officially launched by the Deputy Prime Minister and Minister of Plantation and Commodities, Dato Seri Fadillah Yusof at the Putrajaya International Convention Center on 5 December 2023.

The HAKN 2023 which was organized by the Ministry of Plantation and Commodities (KPK) aims to become the main platform for sharing information as an effort to drive the sustainability of the country's agricommodity sector and to give recognition to all parties involved in the grassroots agricommodity sector.

With the theme of 'driving the sustainability of the country's agricommodities, this program will also be the main platform for sharing information and generating various new ideas in the country's agricommodities sector, in addition to promoting job opportunities, career expansion and business.

The ministry sees the need to highlight the agricommodity sector widely to the public because it is included in economic development and contributes to the country's gross domestic product.

Therefore, this event also aims to increase awareness and general knowledge of the country's agricommodity sector as an effort to change a more positive perspective towards the sector.

The Ministry through the National Agricommodity Policy 2021-2030 (DAKN2030) has identified productivity as one of the five policy cores that need to be prioritized.

The DAKN2030 outlines that productivity can be increased through research, development, commercialization and innovation and adoption of technology.

In general, the agricommodity sector consists of 8 commodities namely oil palm, rubber, timber, cocoa, pepper, kenaf, biofuel and biomass.

All of the main commodity sectors have contributed to socioeconomic development over the past decade when they have generated income for nearly 1.3 million smallholders, thus opening job opportunities for nearly a million local people.

For the Jan-Sep 2023 period, the agricommodity sector recorded an export value of RM117 billion versus RM160.6 billion secured during the same period a year before.

Malaysia's major commodities suffered a setback in 2023 despite a weaker ringgit as it was overshadowed by demand deficits due to global economic uncertainties arising from the ongoing geopolitical tensions.

It was further hampered by extreme weather conditions and the issue of labour shortages, which resulted in lower production in all the four major commodities such as palm oil, rubber, cocoa and pepper.

It is to be noted that 2023 marks the fourth consecutive year that the palm oil sector is enduring the issue of labour shortages. The industry is highly dependent on foreign labour, especially for its harvesting process.

If there is anything to be thankful for, it is the government's assurance that it would sort out the issue of labour shortage for labour intensive sectors at large and plantations specifically.

An adequate labour supply would help boost production in the plantation area, especially for the oil palm planters, while the expectation for the ringgit to strengthen would increase the sector's export revenue.

Dialogue With DOE Sarawak On Progress Of Incinerator On 14 Dec 23

Representatives from SOPPOA (Dr. Felix Moh, Tian Foon Howe, Richard Sia, Lee Kiat, Ngang Tuong Thai, Jeffery Tiong, Tang Si Lui, George Akam, Wong Jun Seng and Federick Ngui.

1. Recap of Clean Air Regulation 2014

The Clean Air Regulation 2014 came into effect on 5 June, 2014, with a five-year grace period granted to palm oil mill operations for testing and adaptation to air pollution control technology.

The full enforcement of the regulation was initially scheduled for 2019, however, was pushed to be implemented to 2022 due to Covid-19 pandemic.

2. Source of Smoke

Palm oil mills in Malaysia predominantly utilize fiber and shell wastes as a fuel source in boiler to generate steam and electricity for palm oil production processes.

While these byproducts alone can adequately supply electricity demands, the combustion process in the boiler emits pollutants such as particulate matters (PM), carbon monoxide (CO), nitrogen oxide (NOx) and sulphur dioxide (SO2). This process considerable health and environmental concerns.

The burning of empty fruit bunches (EFB) for bunch ash production is another source of smoke emission.

Although incinerators are banned in West Malaysia, their operation persists in Sarawak due to the high demand for bunch ash as an organic potash substitute and its neutralization properties for peat soil estates.

However, compliance with environmental regulations remains a challenge due to the lack of appropriate technology.

3. Work Progress

In the last two years, SOPPOA has actively undertaken initiatives to improve incinerator operations, including collaborating with Curtin University for research and development (R&D).

Unfortunately, the progress of this collaborative initiative has been significantly hampered by a lack of research funding.

4. Meeting with DOE

SOPPOA was invited by the Department of Environment (DOE) Sarawak to present a progress briefing on the incinerator on 14 December, 2023, chaired by Mr. John Anak Rambai, director of DOE Sarawak.

The presentation covered the incinerator's timeline, starting from the meeting with the Deputy Minister of Energy and Environmental Sustainability Sarawak on 22 January, 2022, up to the current status with DOE.

One key challenge hindering progress in researching new or improved incinerator technology in recent years has been lack of funding.

However, at the recent MPOB SOPPOA seminar of R&D progress held on 15 November, the director-general of MPOB expressed willingness to assist the industry in enhancing the current incinerator process to meet DOE requirements.

The DOE director emphasized that no further extensions will be granted for incinerator that failed to comply with the Clean Air Regulation 2014 after December 2024.

Discussion On R&D Collaboration of Incinerator On 9 Jan 24

After securing the agreement of the director general, Malaysian Palm Oil Board (MPOB) has initiated discussion with SOPPOA mill committee regarding potential research and development (R&D) collaboration aimed at enhancing incinerator technology for converting empty fruit bunch (EFB) into bunch ash.

Preceding the meeting, research officers from MPOB conducted insightful visits to two palm oil mills operated by SOPPOA members in Niah, Miri.

The primary objective of these visits was to acquire firsthand knowledge of palm oil mill operational processes, with a specific focus on the handling and disposal of EFB.

The insights gather during these visits provided a robust foundation for focused R&D initiatives aimed at optimizing incinerator process.

The discussion was focused on several key parameters:-

1. **Technology Enhancement**
   - Explore innovative technologies and improvements to enhance the efficiency and effectiveness of the incinerator in the conversion process.
   - Investigate methods to optimize the combustion of EFB, ensuring maximum utilization and minimum environmental impact.
2. **Environmental Compliance**
   - Discuss strategies to align incinerator operations with environmental regulations set by DOE.
   - Explore solutions to mitigate the emission of pollutants, ensuring compliance with Clean Air Regulation 2014.

In the aftermath of the productive meeting, MPOB has expressed its commitment to develop and present a comprehensive R&D proposal, building upon the valuable information obtained during the site visits.

Mesyuarat Jawatankuasa Teknikal Bagi Laporan Insepsi Kajian Penstrukturan Semula Sistem Percukaian Industri Sawit Malaysia On 10 Jan

1. Opening Remarks

Dato' Zailani Bin Hashim, Deputy Secretary General of KPK, presided over this session, providing an overview that underscored the purpose of the study—to scrutinize the taxation system of the oil palm industry burdened by various taxes and escalating operating costs, adversely affecting its competitiveness.

The study holds significance as it pertains to the interests of both the government and the industry. The government aspires to sustain the income from the oil palm sector while concurrently enhancing the competitiveness of the nation's oil palm industry.

KPK has entrusted USIM Tijarah Holdings Sdn Bhd with the responsibility of completing this study within the agreed-upon timeframe and conducting a thorough assessment of each defined scope.

The chairman extended a cordial welcome to the meeting attendees, urging them to scrutinize each study report diligently to ensure that the final outcomes align with the established goals and objectives.

He reiterated the meeting's importance in guaranteeing the completeness and suitability of the produced report for certification by the study steering committee.

2. Inception Report Presented By USIM

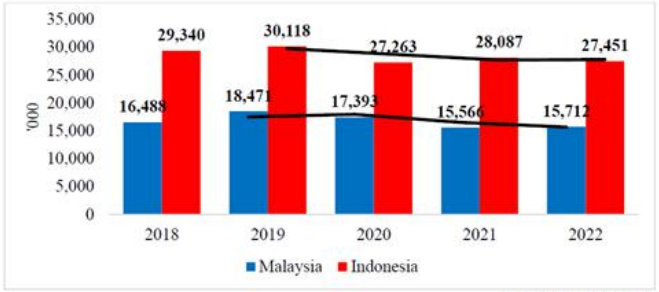
2.1 Background

Malaysia's palm oil industry has been one of the key economic drivers and contributors to the national economy. It is designed to increase total contributions to national income and enable Malaysia to achieve high income status (Othman et al., 2020). Despite the long history of the industry, the overall development of the oil palm industry in Malaysia has been below expectation due to some issues such as trade (Kapoor, 2022), operations (Chu, 2022), unpredictable scenarios, supply and demand of oils, mechanization and advancement, European Union's protectionist policies (MPOC, 2020) and recently insistence on reviewing State Sales Tax (SST) in Sabah and Sarawak and for the Federal government's Windfall Profit Levy (WPL) imposed by the East Malaysian states (The Borneo Post, 2022).

Currently, palm oil related exports are still highly biased towards the upstream segments with total contribution to the overall industry of 83%, while downstream contribution is only 17% (Othman et al., 2021). Malaysia could easily be affected and experience a slowdown in economy if there is a fall in commodity prices since palm oil exports are a major contribution to its GDP (see Figure 1.1). The risk of fluctuations in crude palm oil (CPO) global prices can be reduced if the industry relies more on downstream activities. It could absorb excess supply of palm oil upstream products in the market and stabilize the prices.

Source: Statistica (2023)

Figure 1.1: Gross Domestic Product (GDP) from the palm oil industry in Malaysia 2015-2021

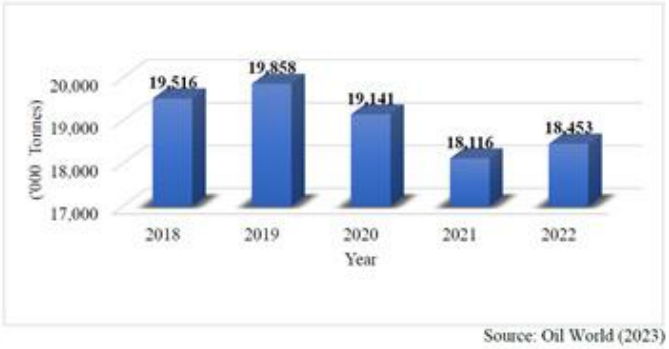


Source: MPOB (2023)

Figure 1.2: Malaysian exports of palm oil 2018-2022

Current trends of exports indicate that Malaysia is losing out to competitors especially Indonesia (see Figure 1.2). One of the reasons for this weak export performance is due to poor yield and high cost of production compared to Indonesia (MPOC, 2022). In view of its current domestic production (see Figure 1.3), it is expected that Malaysia's palm oil products export in future will further decline. In order to curb this problem, an effort to enhance and continue promoting palm oil demand by the government to other countries are crucial to recover and sustain its strong position against other key players (Yusoff et al., 2013).

Invitation By University Of Technology Sarawak On 26 Oct



Source: Oil World (2023)

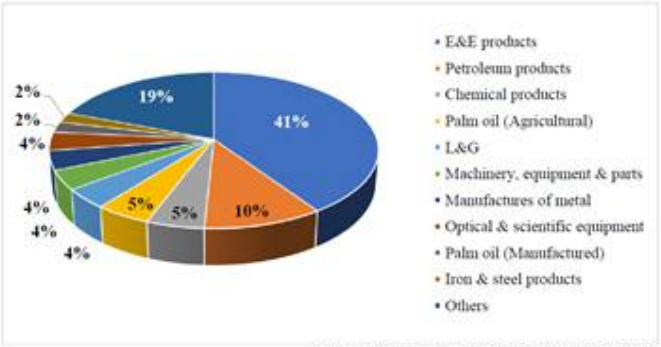
Figure 1.3: Malaysian production of palm oil 2018-2022

Among the current issues faced by the Malaysian palm oil industry include labour shortage, high competition from nearby countries, ageing trees, biodiversity, plant infections, carbon dioxide, hazard, deforestation and local community problems (Alam et al., 2015). Besides, palm oil expansion in Malaysia looks less promising in the long run as stricter regulations are slowing down the growth of new oil cultivation thus, lowering yield of fresh fruit bunches (FFB) and pushing up costs (TMR, 2023).

Despite the above issues, it is a fact that palm oil industry still remains as the top commodity in terms of export (see Figure 1.4). Oil palm is a highly productive oil crop as it can produce yield up to ten times higher than other oilseed crops, such as soybean, sunflower and rapeseed, and has a productive life span of over 20 years (Khatun et al., 2017). As such, oil palm plantations record the highest land productivity. With the growth in population and the surge in renewable energy, palm oil can address those demands by increasing the yield from the existing plantation areas. Oil palm growers can maximize the Oil Extraction Rate (OER) through breeding and cloning highly efficient plants. In addition, the innovation and development of scientific research in planting materials can increase palm oil productivity while ensuring sustainable practices.

By virtue of its high productivity, the cost competitiveness of palm oil makes it the most affordable vegetable oil in price-sensitive markets especially in emerging countries, such as India and China. As a cost-effective solution, palm oil is a suitable replacement for animal fats. The versatility of the crop is evident as it has been used as an ingredient in the food and non-food industries due to its strong stability and ease of conversion (Abdul Majid et al., 2021). In addition, the biomass from the palm mesocarp fiber, palm kernel shell, and empty fruit bunches is a source of a renewable energy which is used to generate heat in plantation mills as a cost-saving measure, while palm oil-based biodiesel has been identified as an alternative fuel due to its price competitiveness (Sumathi et al., 2008). The utilization of palm oil in various sectors is attributed to technological innovations, quality enhancements, and scientific advancement.

In addition to reducing the carbon footprint, Palm Oil Mill Effluent (POME) can potentially securitize energy supply while generating additional revenue from the sale of surplus energy. Using POME as an alternative energy source not only saves on the costs of mill operation and waste treatment but mill operators can earn up to RM3.8 million per year through the generation of electricity. The ability to generate income from POME has changed the perception of the by-product from waste to be treated to a resource that could generate earnings. Unused electricity can be connected to the national grid under the Feed in Tariff (FIT) scheme introduced in the National Renewable Energy Act 2011. This supports the Fifth Fuel Policy target of achieving 5% of national grid-connected electricity generated from renewable sources (Foong et al., 2021).



Source: Department of Statistics Malaysia (2023)

Figure 1.4: Top 10 major export products, January-November 2023

In terms of taxation, palm oil performance is found to be insignificant regardless with changing in tax structure. A previous study conducted by Wong et al. (2014) found that the impact of reductions in the export duty rates and the impact of increases in the threshold prices on the Malaysian palm oil industry have the same impact but with different magnitudes. Even the simulated results indicate that the policy of further reductions in the Malaysian export duty will promote its positive effects on the local palm oil industry; however, the impact is not significant. However, a more recent study by Othman et al. (2021) found that energy taxes have positive and significant influence on Malaysia's trade competitiveness of palm oil downstream products (oleochemicals, biodiesel and palm-based finished products).

Based on these above inconsistent results, this research will study the existing tax structures and incentives in the palm oil industry value chain in Malaysia that include upstream, midstream and downstream levels. A comparative analysis with Indonesia will be conducted to ensure Malaysian palm oil industry remains competitive in the international market.

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2.2 Problem Statement

The performance of the Malaysian palm oil industry had been greatly affected since Indonesia revised palm oil export tax structure in 2012, which made her palm products more competitive in the world market. To improve the performance of the Malaysian palm oil industry, the government also revised its long-standing crude palm oil (CPO) export tax (operative since the 1970s) and implemented a new export tax structure, effective 1 January 2013). This is a proactive approach by the Malaysian government to increase competitiveness. As a result, the performance of the industry has improved after its implementation, with exports of oil palm products increasing, stocks of palm oil declining, the price of CPO showing an upward trend and volatility reduced, refinery capacity utilisation rate increasing, purchases of CPO by refineries rising, processing of CPO growing, and production of finished products also expanding (Ayatollah et al., 2015). Palm oil industry benefited from the implementation of the new tax structure. Did the government revenue also increased after the implementation of the new tax structure? Should the government revise the tax structures and incentives yearly?

After COVID-19 outbreak, the government continuing to impose a windfall tax on the palm oil industry and the government intends to collect RM1.2 billion in windfall taxes from the country's palm oil industry in the year 2021 (Thomas, 2021). However, windfall tax was not imposed to the other industries such as glove manufacturing or other businesses which have enjoyed strong profits during the COVID-19 pandemic. Hence, it was causing chaos amongst the palm oil players who are struggling with various taxes imposed namely, the MPOB cess, windfall tax, sales tax and export tax, a company involved in the oil palm industry is paying taxes equivalent to about 60% corporate tax and many smallholders are unable to benefit due to the taxes and low seasonal yield at this time of year. Hence, the plantations and smallholders are struggling to cover the cost of production (FMT, 2021).

Stakeholders affiliated with the palm oil supply chain have appealed to the federal government to immediately review and reconsider its windfall profit levy (WPL) on the commodity (Borneo Post Online, 2023; MPOA, 2023; Kaur, 2022). MPOA too has urged the East Malaysian states and federal governments to revise the State Sales Tax (SST) and Windfall Profit Levy (WPL), respectively, that are imposed on East Malaysian oil palm growers. The proposed price threshold review of the SST in Sabah and Sarawak takes into account the current high cost of palm oil production, while the windfall tax should be revised back to the original 1.5% from the present 3%, after factoring in the existing SST (Kaur, 2022).

The SST started at RM50 per metric tonne of crude palm oil (CPO) in 1999, before it was revised to 5% per metric tonne of CPO in 2002 and 7.5% per metric tonne of CPO in 2005. The price thresholds which were set around 1998 to 1999 were appropriate, as the costs then were around RM750 per metric tonne of CPO. The industry argues that WPL should be brought back to its original 1.5% for East Malaysian growers from the current 3%, as their cost of production is higher than that of their Peninsular Malaysia counterparts. Consistent with the Government's intention to increase the competitiveness of the palm oil industry, there is an urgent need for the Government to study the country's palm oil industry tax structure holistically. The review of the tax structures will need to consider the prevalent issues such as the production cost, fees, levies, and federal and state taxes that the industry had to comply with.

2.3 Objective

To develop a more comprehensive tax structure and incentives throughout the palm oil industry value chain in Malaysia that includes upstream, midstream and downstream levels, as well as to ensure competitiveness and promote growth and development of the industry without comprising government revenues.

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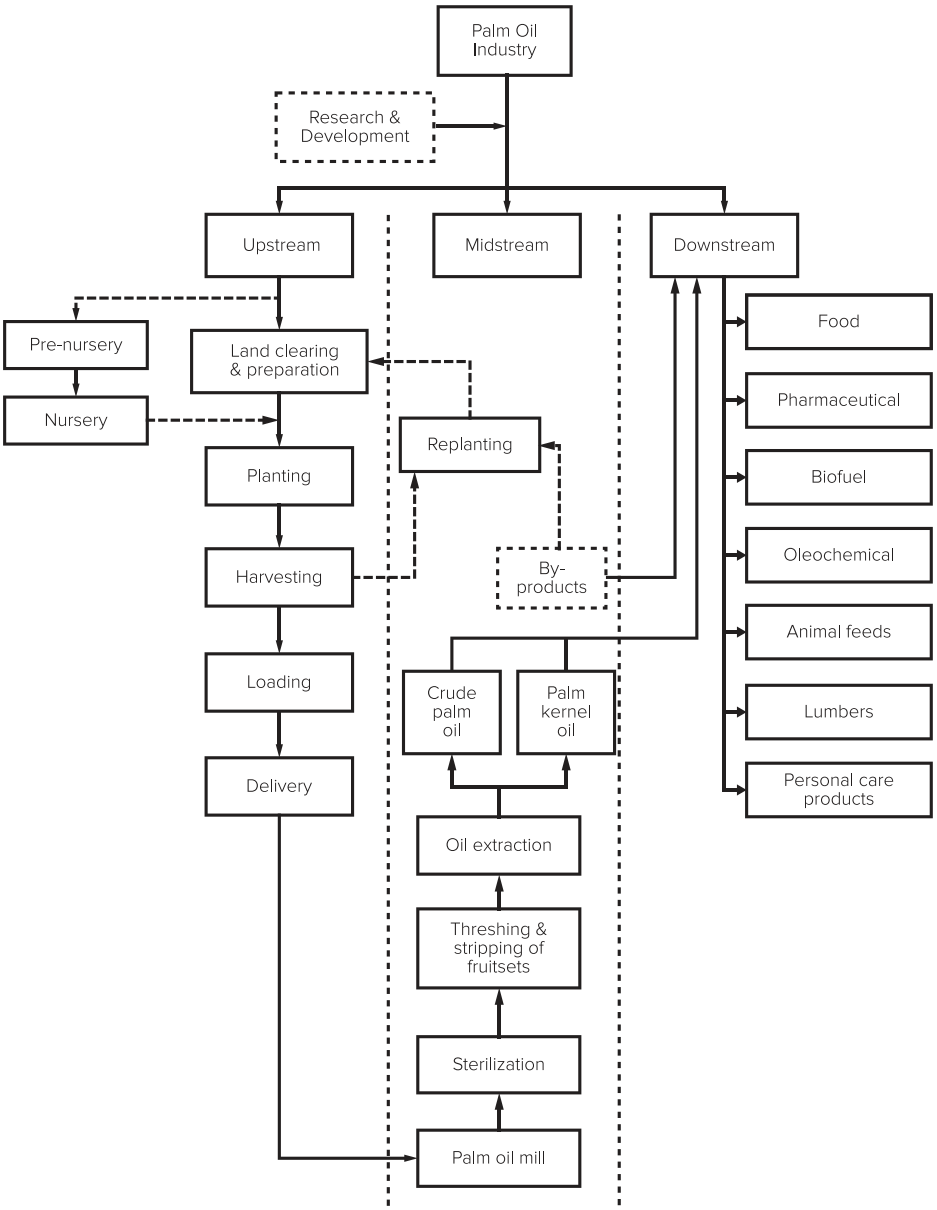

THE PALM OIL SUPPLY CHAIN

2.4 Scope of the Study

i. To quantify the socioeconomic impacts and contributions of the palm oil industry to the nation and its rakyat,
ii. To define each level of the palm oil supply chain and assess its competitiveness within the palm oil industry,
iii. To compare Malaysian's palm oil taxation structure and incentives to other export-oriented products, i.e. oil and gas, rubber, manufacturing and services industries,
iv. To assess bilateral trade agreements and other trade related agreements that contributed to preferential tax differences in top five (5) importing countries that impact the competitiveness of the Malaysian palm oi exports, distinguishing between crude and processed palm oil,
v. To review Malaysia's current tax structure and incentives related to palm oil industry and its impact on overall palm oil production cost and benchmark these costs against Indonesia's current tax structure and incentives,
vi. To provide current vs proposed taxation simulation/modelling for the palm oil industry throughout the supply chain and impact analysis on industry competitiveness in terms of yields, cost of production, availability of raw materials, as well as government revenues,
vii. To recommend a new palm oil taxation structure and incentives at the federal, state and local authority levels to ensure the Malaysian's palm oil industry is not heavily taxed compared to other sectors and position the industry to remain competitive against Indonesia.

54th Council Meeting On 11 Jan 24

The recent 54th SOPPOA Council meeting brought together members physically and virtually, fostering a collaborative spirit to address crucial matters.

Here is an overview of the key discussions and decisions made during the meeting.

1. Opening Remarks

1.1 Mr. Chairman warmly welcomed attendees, acknowledging both physical and virtual participants. It was noted that En. Zarlina would represent Hj. Rosli, who has recently been transferred to HQ.

1.2 A heartfelt expression of gratitude was extended to Mr. Joseph for generously providing the Salcra Bajo Training Center's board room as the meeting venue.

2. Meeting Highlights

2.1 The secretariat presented a comprehensive report detailing the association's activities and initiatives.

i. emPOC 2023
- Bursa Malaysia Derivatives organized the East Malaysia Palm & Lauric Oils Price Outlook Conference & Exhibition 2023 in September.
- SOPPOA contributed RM100,000.00 as a Lead Partner, showing commitment to industry events.

ii. CPO as 'Food'
- Four palm oil associations collectively sought 2nd opinion on the definition of CPO as food by Ministry of Health (MoH) where SOPPOA shared RM4,200.00 as part of legal fees.
- A meeting on November 23 called by KPK aimed to find solutions and proposed the exemption of CPO in the food clause to MoH.

iii. University Technology of Sarawak (UTS) Engagement
- SOPPOA participated in a sharing session with UTS students on 26 October 2023.
- Mr. Richard Cheang presented an overview of the Malaysia palm oil industry to more than 300 students.

iv. University Technology of Sarawak (UTS) Engagement
- The MPOB SOPPOA R&D meeting is an annual event, typically exclusive to SOPPOA R&D committee member, was opened to all interested members on 6 November.
- SOPPOA bore the cost of RM20,374.00 for the event.

v. SBF BizFund
- SOPPOA secured approximately RM900,000.00 from SBF to organize two modules, namely Certificate of Plantation Management and Operation Modules to benefit its members.
- These courses, in collaboration with ISP and MPI, were launched on 10 November 2023.

vi. Restructuring of Malaysian Palm Oil Taxation System
- After a prolonged delay, the first meeting was held on 10 January 2024.
- SOPPOA was appointed as one of the Technical Committee members, highlighting active involvement in shaping industry policies.

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viii. Membership Changes
- Two new members, Sinong Pelita Matu Sdn Bhd and Sinong Pelita Oil Mill Sdn Bhd, joined SOPPOA.
- Good Matters Sdn Bhd tendered its resignation as an Associate Member due to the sale of the estate.
- RSB relinquished its position as PCM, replaced by Jaya Tiasa Holdings Bhd effective 1 January 2024.

ix. MPOC SOPPOA Fund
- RM1 mil was parked at MPOC for the purpose of promoting oil palm in Sarawak.
- RM100,000.00 was allocated for DOPPOA in October 2023, whereas SOPPOA has proposed the remaining for collaboration with MPOC:-
  - Education approaches (RM200,000.00)
  - Conservation (RM300,000.00)
  - 'Human Interest' stories (RM400,000.00)
- Councils has suggested SOPPOA to approach TVS for promotional programs showcasing positive images of the palm oil industry.

vii. Technical Tour to China
- Mill committee would organize a technical tour to China from 17 to 22 February 2024.
- Council has agreed an allocation of RM30,000.00 to subsidize the trip in recognizing their contributions to POMtec 2023.

After the meeting, the council members seized the opportunity to tour the training center.

3. Salcra Bajo Training Center (SBTC)

SBTC is located at Bajo, Lundu which is approximately 1 hour drive from Kuching.

The main purpose of SBTC is to conduct intensive training for SALCRA's staff based on their business activities that emphasized toward practical rather than theory alone.

The construction of SBTC began in 2014 that offers various amenities that are ideal for large and special events such as conferences, seminars, meetings, or weddings.

They also provide meal and accommodation services to ensure 'one-stop' comfort and needs.

Mesyuarat Jawatankuasa Kawalan Ulat Bungkus Nasional Bil 4 (1/2024) On 19 Jan

1. Background

The challenge of bagworm infestation has persisted for over three decades. Utilizing the Jawatankuasa Kawalan Ulat Bungkus Nasional as a strategic platform can effectively manage and diminish bagworm attacks, maintaining their population below the economic threshold.

Bagworms were officially designated as hazardous pests on November 15, 2013, according to the Plant Quarantine Act 1976 (Act 167, Section 2). This legislation mandates that any smallholder or estate failing to control bagworms, subsequent to receiving a notice from the Director of the Department of Agriculture, may face a RM10,000 fine or a two-year imprisonment.

The Department of Agriculture is committed to enforcing this legislation and pledges full cooperation with MPOB for its implementation.

To identify affected farms, agencies, estates, or smallholders are urged to promptly report bagworm attacks to both MPOB and the Department of Agriculture. Joint inspections and monitoring by MPOB and the Department of Agriculture will precede any notices issued, ensuring a comprehensive approach to addressing the issue.

2. Survey on Bagworm Infestation as Jan 24

At the meeting, Dr. Mohamed Mazmira Mohd Masri presented the latest status report on the bagworm infestation in the smallholder oil palm areas.

The report highlights a substantial reduction in caterpillar attacks within private sites, plummeting from 32,829.18 hectares to 2,991.7 hectares.

As of January 2024, the private oil palm smallholder areas have experienced a remarkable decline in the extent of caterpillar infestation, with a 77.53% decrease in the northern zone (Pulau Pinang and Perak), an impressive 98.24% reduction in the southern zone (Johor), a substantial 90.93% drop in the central zone (Selangor and Negeri Sembilan), and a notable 92.61% decrease in the eastern zone (Pahang).

These significant achievements can be attributed to the proactive measures implemented by the Malaysian Palm Oil Board (MPOB). The MPOB has been actively involved in providing assistance through a comprehensive Integrated Pest Management (IPM) system.

This approach involves aerial spraying of Bacillus thuringiensis (Bt) biopesticide using helicopters and drones, strategically placed pheromone traps, and the cultivation of beneficial plants.

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3. Bagworm Infestation Status by Smallholder Agencies

3.1 FELDA

Mrs. Nurfairuz reported that the bagworm infestation in the Felda Semenanjung Malaysia, covering 25,192.17 hectares as of January 2024. The affected regions include Perak, Negeri Sembilan, Terengganu, Pahang, and Johor, with Pahang experiencing the most significant impact, encompassing 20,614 hectares. To combat the infestation, two rounds of interventions, including trunk injection (Acephate) and drone-assisted spraying, have been executed.

3.2 RISDA

In the RISDA area, Mrs. Siti Khadijah reported that bagworm infestation spanning 1,785.86 hectares by January 2024. The affected areas are in Perak, Negeri Sembilan, and Pahang, with Palong 1 and 2 estates in Negeri Sembilan recording the highest impact at 691.64 hectares. Successful control measures involve periodic monitoring and interventions such as trunk injection (moncrotophos and acephate) and various spraying techniques (bravo flexigun, power spray, air blast). Additionally, the RISDA has implemented integrated pest management (IPM) methods to effectively manage caterpillar attacks.

3.3 FELCRA

Mrs. Nurfarahin reported a bagworm infestation of 4,607 hectares in the FELCRA area, encompassing six states: Perak, Negeri Sembilan, Pahang, Johor, Terengganu, and Sarawak. FELCRA Seberang Perak in Perak faced the highest impact with an area of 2,327 hectares. Ongoing control efforts involve trunk injection (Acephate) and spraying using Flubendiamide and Bacillus thuringiensis (Bt). Additionally, the cultivation of beneficial plants such as Cassia cobanensis, Turnera sp, and Antigonoi sp has been implemented to naturally reduce the caterpillar population in the affected areas.

Retreat *Hala Tuju Mekanisasi Bersama* Marcop 2024 On 20-21 Jan 24

1. Background

Mechanization and Automation Research Consortium of Oil Palm (MARCOP) was established in 2021.

As a government-industry platform, MARCOP is tasked to explore mechanization and automation technologies for oil palm plantations towards increasing productivity, specifically focus on the operation of harvesting fresh fruit bunches (FFB), and reduce dependence on oil palm harvesters.

It is funded by a matching grant from the Malaysian government and the oil palm industry in Malaysia.

The Malaysian Palm Oil Board (MPOB) is appointed as the Secretariat to manage the MARCOP fund application and approval process.

2. First Retreat

The inaugural MARCOP workshop convened in Malacca from 14 to 16 January 2022, marked a significant milestone in shaping the trajectory of this initiative.

The collaborative efforts of stakeholders culminated in the identification of three pivotal strategies, each strategically aimed at advancing the mechanized harvesting landscape:

i. Short-Term Focus: Addressing Existing Mechanical Cutter Shortcomings – The immediate focus resolves around rectifying the deficiencies inherent in the current mechanical cutter developed by MPOB. This targeted approach aims to streamline and enhance harvesting productivity, effectively overcoming current limitations and ensuring optimal performance in the short term.

ii. Mid-Term integration of IoT for Enhanced Productivity – As a forward-looking strategy. The mid-term plan centers on the integration of Internet of Things (IoT) technologies into the existing harvesting processes. This integration is envisioned to usher in a new era of efficiency, connectivity, and data-driven decision-making, ultimately elevating productivity to unprecedented levels.

iii. Long-Term Vision: Achieving Complete Automation – The long-term vision for MARCOP is a comprehensive shift towards complete automation of the harvesting process, This ambitious goal anticipates the development and implementation of cutting-edge technologies to automate and optimize every facet of the harvesting workflow. This visionary approach aims to redefine industry standards, ushering in an ear of sustainable and technologically advanced agriculture practices.

3. Second Retreat

After two years of steering the MARCOP initiative, the committee encountered numerous challenges and identified shortcomings that prompted a re-evaluation.

To address these issues, a second retreat convened on 20-21 February, seeking to re-assess the previously formulated strategies.

A key approach involves a comprehensive redefinition of the problem statement and an expansion of MARCOP's scope.

Beyond harvesting, the committee recognizes the integral roles of loose fruit collection and frond stacking with the overall harvesting process.

Furthermore, the retreat underscores the importance of reviewing the existing policy-governance framework such as suggestion has been made to augment the independent secretariat by appointing a manager.

Malaysian Palm Oil Industry Dialogue With Minister Of Plantation And Commodities On 20 Feb

1. Introduction

On behalf of the industry, the Malaysian Palm Oil Council (MPOC) has taken a proactive step by organizing a Malaysian Palm Oil Industry Dialogue (MPOID) with the recently appointed Minister of Plantation and Commodities, Datuk Seri Johari Abdul Ghani.

The primary objective of this dialogue was to facilitate direct engagement between key industry stakeholders and the minister. The aim was to address and discuss the most pressing and fundamental challenges currently confronting the sector.

The MPOID also served as a crucial platform for industry representatives to present their concerns and share insights with the honorable minister. Moreover, it provided an opportunity for stakeholders to propose practical and sustainable solutions to the minister, seeking his support in resolving critical issues. The ultimate goal is to collaboratively work towards tangible solutions and policy changes that are imperative for ensuring the long-term sustainability of the Malaysian palm oil industry.

2. Some Highlights

i. Smallholders – Currently smallholders own 27% of Malaysia's total planted oil palm estates. However, there exists a notable disparity in FFB yields between commercial plantations (> 20 tonnes/ha) and smallholders (8-10 tonnes/ha) in the oil palm industry. The minister is contemplating the formation of smallholder clusters, covering 5-10,000 ha each to improve efficiency.

ii. Labor shortage – Recent survey by MPOB indicates a shortage of 40,000 harvester in the palm oil industry. To address labor shortages, plans are underway to integrate palm oil harvesting into Technical and Vocational Education and Training (TVET) programs.

iii. CPO taxes – Minister informed that the decision on adjusting the rate of Windfall Profit Levy lies with the Minister of Finance. He acknowledged that the cost of production in Sarawak as informed by SOPPOA is 15-20% higher than the West Malaysia.

iv. Sustainability – He stressed the importance of branding Malaysian palm oil to differentiate from other producers. There are plans to elevate Malaysian Sustainable Palm Oil (MSPO) certification to the gold standard for palm oil certification. The move aims to bolster the competitiveness of Malaysian palm oil in the global market.

What Palm Oil Modernization Looks Like

Case study: How Sime Darby Plantation is modernising oil palm cultivation and production processes, which is good for people and planet

Agriculture has changed beyond all recognition in the last 50 years. In the race to feed more people, the sector has had to rapidly adapt and industrialise to improve efficiency, increase yields and become more economically sustainable.

Such progress has come at a considerable cost, however, both for people and the planet. Large-scale monoculture and the extensive use of chemical inputs have simplified ecosystems, leading to a decline in plant and animal species. The UN Food and Agriculture Organisation agrees that industrial agriculture is a major contributor to biodiversity loss, with an estimated 75% of global crop varieties lost during the last 100 years.

Widespread use of pesticides and fertilisers has polluted soil, water and air. Agricultural runoff has caused great harm to aquatic ecosystems, and pesticide residues detected in food have given us all cause for concern. And the relentless pursuit of higher yields has often come at the expense of soil health. Intensive ploughing, for instance, has drastically degraded soils. Now, around a third of the world's arable land is classified as degraded, according to WWF.

Demand-driven economics

Changing land use has had an impact too. In Malaysia for example, the government's poverty alleviation schemes targeted at poor rural communities during the 1960s drove the cultivation of oil palm plantations across the country, replacing rubber and other agricultural crops.

"That's simply because palm is far more productive and economically viable – and there has been a real demand for edible oils and fats around the world," says Dr David Ross Appleton, chief R&D officer at Sime Darby Plantation (SDP).

In oil palm cultivation, doing more with less is key. Since the early 2000s, and the launch of certification schemes such as the Roundtable on Sustainable Palm Oil (RSPO), eliminating deforestation from palm oil supply chains has been a real focus. The sector, facing the dual challenge of meeting the global demand for the versatile commodity – used in everything from food to toothpaste – while addressing the environmental and social concerns associated with its production, has found it tough. But finding ways to produce more palm oil on existing plantations is fuelling research, development and innovation in the sector.

And the sector continues to modernise. Buoyed and encouraged by certification, traceability demands, sustainable land use and zero-deforestation commitments, many big players in the industry are focused on a transition towards more responsible, environmentally-friendly practices.

Tech solutions

Precision agriculture techniques, satellite imagery, drones and geographic information system (GIS) mapping are being employed to monitor and manage plantations more efficiently. These technologies provide real-time data on soil health, crop conditions and yield predictions, helping planters to make better and more informed decisions and optimise resources better.

Many are making use of improved planting practices and the cultivation of high-yielding oil palm varieties. Planting materials are being more carefully selected to ensure better resistance to diseases and pests, which leads to increased yields per hectare. The use of genomic selection techniques for propagation is helping planters produce genetically uniform and disease-free seedlings, which boosts the overall health and productivity of plantations.

The palm oil industry has also found innovative, circular ways to use by-products, such as palm kernel cake and empty fruit bunches, to make bioenergy, organic fertiliser and animal feed.

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For SDP, a company that holds over 570,000 hectares of oil palm plantations across Malaysia, Indonesia, Papua New Guinea and Solomon Islands (for context, close to 29m hectares of oil palm is cultivated globally), modernising is essential to its long-term sustainability as a business. It has been implementing measures to modernise since the 1980s when it focused on ridding its operations of highly polluting slash and burn activity to clear existing plantations prior to replanting.

"Developing agronomic techniques to help break down the trunks and provide nutrition for the palms that you were about to plant – that's been going on for decades," Appleton says. "Integrated pest management and modern integrated agricultural processes were adopted for palm back then and that has continued."

The other long-running activity the company continues to carry out is its breeding programme to find the highest yielding of palm, a practice that has been ongoing since the 1950s.

Human touch required

More recently, the focus has been on improving the way manual work is done in oil palm plantations through mechanisation, automation and digitalisation. In Malaysia, such work is often undertaken by readily available cheap, foreign labour and thus there has been no real push to replace people with machines in the plantations. Unlike an annual crop such as maize, which is planted in a big, flat, rectangular-shaped field and harvesting involves removing everything that has been planted, palm is more complicated. "Palm is quite dynamic, so it's very difficult to replace a person who can walk around and interact with the environment when they're cutting down fresh fruit bunches," Appleton says.

However, it is work that fewer people are willing to do. While plantations have invested in mechanised wheelbarrows and tractors, cultivating oil palm is back-breaking work with people largely working with tools similar to those used 40 years previously.

While Appleton and his team are yet to find a solution that completely replaces the physical act of cutting fresh fruit bunches from oil palms or what is termed as "harvesting", the company is working hard to replace some of the less skilled non-harvesting jobs. Chemical inputs are done with drones flying over the plantations – a move that has cut the number of workers involved in this process by over 80%. "The drones are much more accurate, so we use less pesticide and saves on costs," Appleton says.

To avoid workers having to lift and carry up to 40kg bunches of palm fruit around, the company has invested in tractors with robotic arms. "We're now looking at automating both the driving of the tractors and controlling the arms. We have a few platforms that we're developing with start-up companies for autonomous driving in the estates that eventually will be used for distributing things such as fertiliser."

Productivity boost

All of this is good news for the business, of course. But advances in technology are great for workers' productivity too. The more of the crop they can collect in a day, the more they are paid. While machines are reducing the number of workers needed, people are becoming more skilled in their work, Appleton says. "Workers are learning to operate, maintain and service the machines. They are learning skills that can increase their pay; they are no longer just labourers. And with fewer workers on the plantation, we can pay people more for the work they are doing."

Making work less laborious in plantations also helps to level the gender playing field. What was traditionally a male dominated industry is now becoming more accessible to women. "There's a term that is frequently used for oil palm plantations: The three Ds: dirty, dangerous and difficult. It's a stigma and narrative that we're changing," Appleton says.

Ongoing modernisation is crucial if the palm oil sector is to continue to grow commercial yields. The world wants more and more palm oil, and leading companies in the sector are committed to ensuring such targets aren't achieved by cultivating new, additional lands. Chasing cheap migrant labour is also not sustainable in the long-term.

For Appleton, there is still plenty to do when it comes to modernising the actual plantation conditions, and it requires the entire palm oil sector to work together to achieve it. "We must crack this nut and make sure we adapt to the changing world."

Source: Innovation Forum

PALM FACTS CORNER

January 29, 2024 - The United Kingdom Trade and Agriculture Commission (TAC) – an expert advisory group to the UK Government – has concluded in an official report that "*Malaysia operates a mandatory deforestation-free standard [MSPO]*" and so *"there is a low risk that Malaysian palm oil exported to the UK would come from land that was deforested"*.

The TAC Report also recommends to the UK Government that MSPO, and the Malaysian Palm Oil Board (Licensing) Regulations 2005, should be accepted as proven compliance tools for the UK's Due Diligence regulations, established in the UK Environment Act.

The TAC provided this advice to the UK Government following the UK's successful negotiations to join the Comprehensive and Progressive Agreement for a Trans-Pacific Partnership (CPTPP). The scale of the CPTPP agreement is huge – 11 countries are members, making it the world's largest free-trade deal – and so the UK was ready to make concessions to CPTPP nations, including Malaysia. Malaysian palm oil exports to the UK will henceforth be zero-tariff, as part of the agreement. The TAC analysis examines this change, specifically, and is supportive of the proposed zero-tariff for future Malaysian palm oil exports to the UK market.

The TAC report foresees benefits for Malaysian exporters and UK consumers, as Malaysia becomes a larger supplier of palm oil to the UK market, following the CPTPP trade agreement. The TAC experts write: *"we do expect to see some UK imports move … to Malaysian suppliers and some refined palm oil imports to move … to Malaysian suppliers"*.

The UK TAC was asked to analyse the situation in part because of efforts at scaremongering by protectionist interests opposed to palm oil. Greenpeace and other traditionally anti-trade NGOs opposed the cuts in palm oil tariffs, claiming without evidence that deforestation could increase.

The UK's Business & Trade Secretary, Rt Hon Kemi Badenoch MP, rejected the scaremongering, explaining on British television channel Sky News that *"palm oil is a great product, it's in so many of the things we use"* and that such give-and-take is a normal part of trade negotiations.

The TAC's trade and sustainability experts have examined the claims from NGOs as well, and dismissed them. Listening to expert analysis – rather than partisan campaigns – is an essential element to good governance. The TAC's vast expertise includes Prof. Lorand Bartels, Professor of International Law at the University of Cambridge; Dr Andrew Swift, one of the U.K.'s leading experts on food and medicine testing; and Shanker Singham, a former advisor to both U.S. and U.K. governments on international trade law.

Palm oil is in fact, one of the most-certified and most-regulated commodities anywhere in the world: this reality is outlined in another London-based assessment published in recent weeks. The House of Commons' Environmental Audit Committee (EAC) examined issues related to global deforestation, and found Malaysian palm oil to be a leader in sustainable practices.

The EAC Report was authored by Members of Parliament from several different UK political parties, and concluded that *"there is an opportunity to learn from the experience of palm oil"* because sustainability commitments *"do not extend to other commodities"*.

The centrepiece of Malaysia's commitment to palm oil sustainability is the Malaysian Sustainable Palm Oil (MSPO) standard, which the TAC accept allows for compliance with UK environmental regulations, such as the Environment Act. MSPO now deserves the formal recognition from government that it has already received in the marketplace – as the pre-eminent mandatory palm oil standard. As the clear 'legality standard' for Malaysian palm oil it is a ready-made compliance tool, and deserves to be formally recognised by the U.K. government.

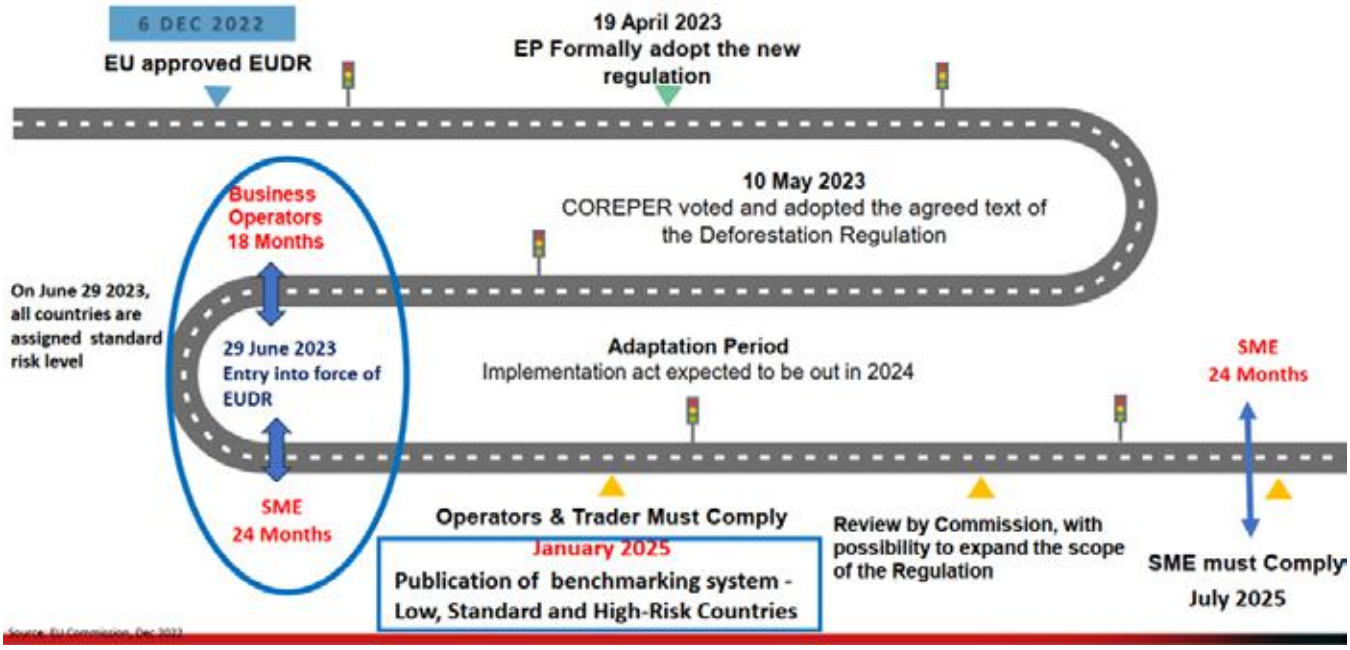
The TAC report represents a responsible and fact-based approach to assessing how palm oil should be regulated by importing countries, and how Western nations can offer genuine support and partnership on sustainable production – rather than political grandstanding.

This matters because the facts about Malaysian palm oil and deforestation are clear, and widely available. The World Resources Institute (WRI), Global Forest Watch (GFW), and United Nations FAO all state that the deforestation rate in Malaysia is zero; Malaysia is a *"success story"*; and *"palm oil is no longer a driver of deforestation"*.

It is a welcome development that the UK Government has listened to experts, and accepted the reality. Malaysian palm oil is the gold standard for sustainable production, and now it deserves to be recognised formally.

Source: Malaysian Palm Oil

EUDR: HOW CAN IT ADDRESS MALAYSIA'S CONCERNS?



February 2, 2024 - The EU convened its second Joint Task Force (JTF) meeting with Malaysia and Indonesia since the ad hoc body was formed last June. The JTF's stated purpose is to address concerns related to the implementation of the EU Deforestation Regulation (EUDR), and a key question is whether it is the right format to not only address the many concerns that producers have, but also to act upon those concerns.

Many of these concerns relate to the EUDR's marginalisation of Malaysian farmers, especially the 450,000 smallholders that form the backbone of the Malaysian palm oil community. Palm oil smallholders play a critical role in uplifting rural livelihoods and promoting socio-economic development. They also contribute greatly to ensuring food security. Despite this, the EU has failed to regard smallholders as an essential stakeholder and partner, with the consequence that the EUDR undermines the smallholder farmers, and will have serious negative consequences for those families if it is not changed.

A core question now is - how could the JTF become a forum for a win-win solution, supporting the EU's objectives of rebuilding relations and addressing implementation – but also meeting Malaysia's needs of substantive changes to problematic areas of EUDR?

First, it should identify a path forward that allows the EU to delay the implementation of the EUDR. The current deadline is unworkable and risks creating far-reaching harm, especially for small farmers, that could be avoided through a more deliberative and balanced approach. Some European companies are already advocating such a delay, and recent precedent indicates that one is attainable.

Second, the JT should take as broader view of how the EUDR negatively impacts small farmers, who stand to be discriminated against by the EUDR's unilaterally imposed benchmarking systems and traceability requirements. How can EUDR changes via the JTF mitigate these hardships? If this does not take place, the EUDR deadline will stand in direct contradiction to the EU's commitments to sustainable development and the UN SDGs.

Third, it should recognize the Malaysian Sustainable Palm Oil (MSPO) certification as an essential compliance tool. This would improve the EUDR's effectiveness and demonstrate an attempt to value and integrate, rather than override, existing mechanisms.

Addressing these three areas would provide confidence that the JTF is a substantive format, and not a talking shop.

It would demonstrate the bloc's willingness to engage with its counterparts as equal partners. The Malaysian position is clear that the JTF should not only focus on compliance. There are areas of substance within the EUDR that Malaysia has been clear it wishes to see changed, or flexibility introduced. If used correctly, the JTF can still achieve these results.

The EUDR remains one area of concern, in an otherwise bright and promising global outlook for Malaysian palm oil in 2024. The UK government's expert body, the Trade & Agriculture Commission, has accepted the sustainability of Malaysian palm oil exports, MSPO continues to gain international acceptance as a standard, and new technologies are advancing the industry faster than ever before.

As Plantations and Commodities Minister Datuk Seri Johari Abdul Ghani recently said, "Despite grappling with significant challenges domestically and internationally, including a shortage of labor, unpredictable weather conditions, concerns about environmental issues, geopolitical upheavals, and shifts in trade policies, the outlook for the palm oil market remains optimistic for 2024."

Source: Malaysian Palm Oil