

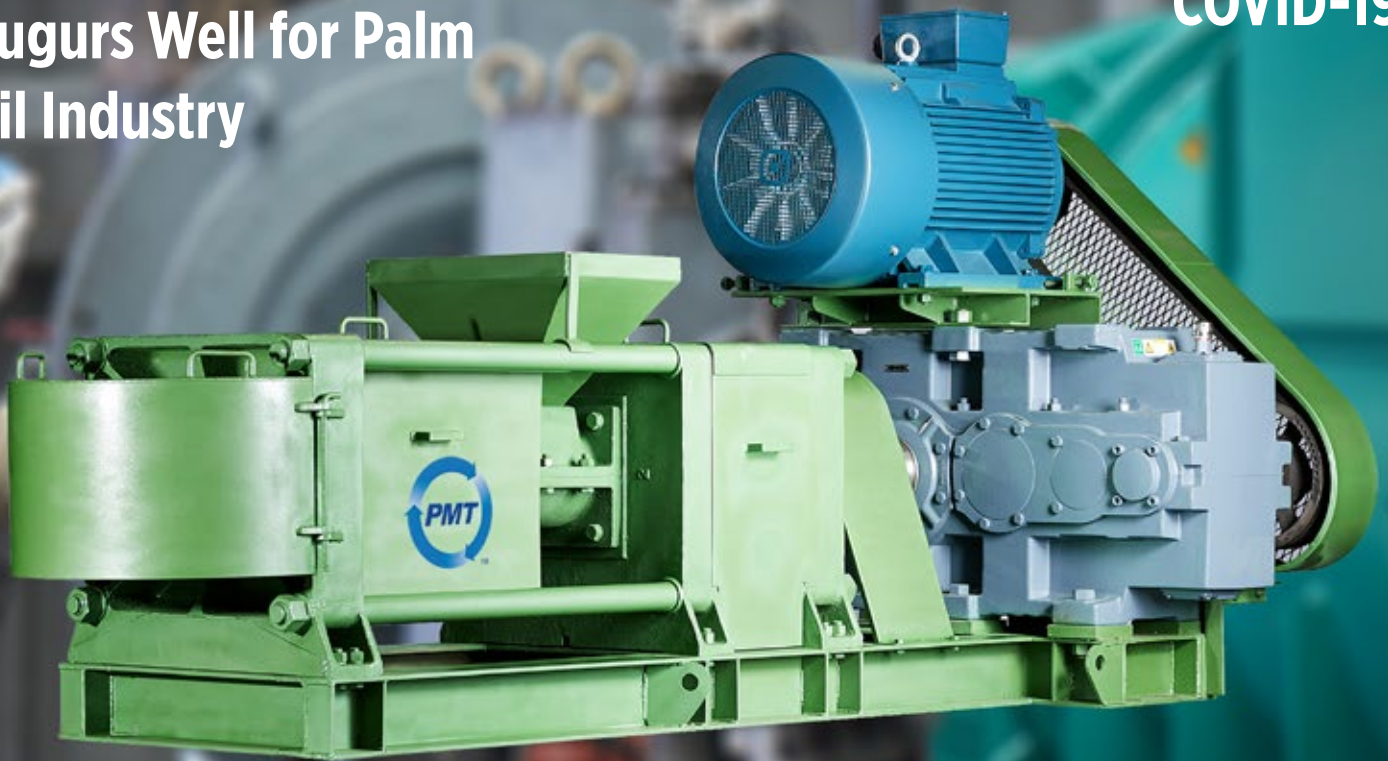
ASIA PALM OIL

PALM OIL INDUSTRY AND TECHNOLOGY NEWS

**Sustainable Palm Oil:
Making a Difference in
Time of Uncertainty**

**Tax Exemption
Augurs Well for Palm
Oil Industry**

**Unrefined Palm Oil Boosts
Lung Immunity Against
COVID-19**



Cover Story:

**Exclusive Interviews with
the Palm Oil Industry's Major Players**

PP18791/04/2016 (034458)



RM 10/ USD 5



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KH777-8

INTRODUCING 2-IN-1

EFB FUEL FIBRE PRESS

SPECIFICATIONS

FUNCTION

A SINGLE STEP MACHINE FOR PRESS AND CUT.

CAPACITY

6-8 MT OF EFB
/HOUR

FIBRE LENGTH

1-6 INCHES

MOISTURE CONTENT

38-45% (AFTER PRESS)

OIL CONTENT IN FIBRE

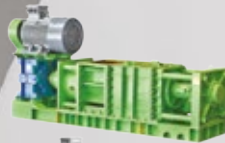
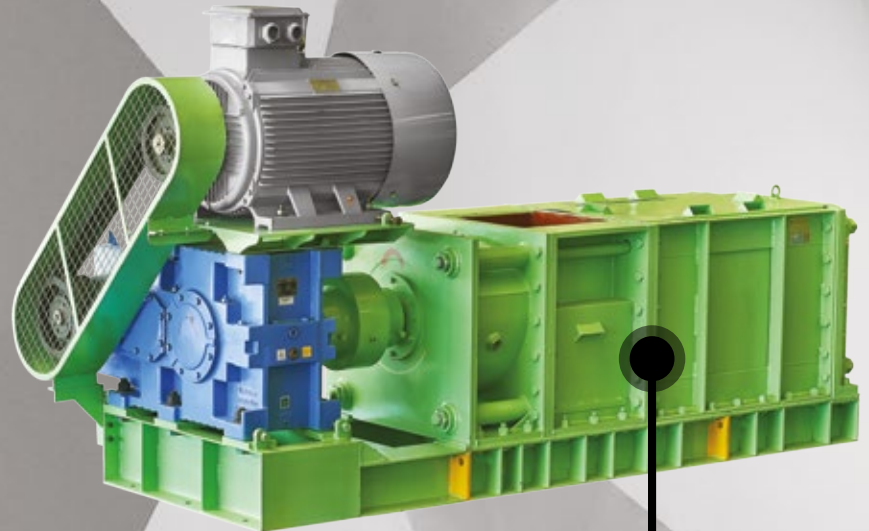
1.0%-1.5%
*ON SAMPLE (WET BASIS)

PRODUCT OVERVIEW

KH777-8 ABLE TO SQUEEZE OUT THE JUICE FOR OIL RECOVERY AND MOISTURE REDUCTION WHILE A SPECIAL ARRANGEMENT OF WORM SET CARRY-OUT THE EFB FIBRE SIZE REDUCTION AND FINALLY USING CUTTER KNIVES TO CONTROL THE LENGTH.

THE USES OF EFB FIBRE

- BOILER FUEL
- COMPOSTING
- MULCHING



KH777



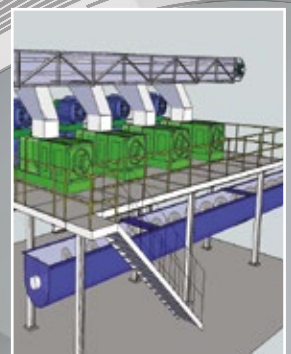
KH777-12



KH777-15

UPGRADEABLE

**SINGLE LEVEL PLATFORM
FOR EFB BOILER FUEL
PREPARATION PLANT**



YTH-9.35 & YTH-9.18



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OF COMPANIES



AUTOMATED SEED PRESS MACHINE
YTH-9.35 & YTH-9.18



- ✓ MAINTENANCE WORK BECOMES MUCH EASIER TO DISMANTLE THE DETACHABLE PRESS SHAFT.
- ✓ CONSEQUENTLY, MACHINE IS PROVEN THAT THE SHORTEST DOWNTIME IS ACHIEVABLE.



- ✓ REDUCTION OF SLUDGE IS ONE OF THE VITAL IMPROVEMENTS FROM THIS NEWLY LAUNCHED MACHINE DESIGN CONCEPT.
- ✓ HENCE, PROBLEM OF CLEARING SLUDGE AND OVERFLOW OF OIL FROM OIL PAN IS VERY MUCH REDUCED.

CONVENTIONAL
KERNEL EXPELLER MACHINE



- IT REQUIRES GOOD SKILLS AND LONG TIME TO REMOVE WORMS AND COLLARS FROM THE MAIN SHAFT.
- CARRYING OUT MAINTENANCE WORKS WHILE THE PLANT IS RUNNING POSES A DANGEROUS WORK SITE.



- HIGH PERCENTAGE OF SLUDGE FORMED WILL ACCUMULATE AT OIL PAN AND OBSTRUCT OIL FLOW.
- SO, MANPOWER IS NEEDED TO REMOVE THESE SLUDGE TO PREVENT OIL OVERFLOW FROM THE OIL PAN.

PHOTO GALLERY I



NEW PRESS SHAFT DESIGN



PROJECT PHOTO



FINAL KERNEL CAKE

LARGEST 2ND PRESS

CAPACITY IN THE INDUSTRY

SPECIFICATIONS

FUNCTION

CRUSHING PALM KERNEL TO EXTRACT OIL AND CAKE

CAPACITY

1ST PRESS: **30MT** OF PK/DAY

2ND PRESS: **18MT** OF 1ST PKE/DAY

OIL CONTENT IN FINAL CAKE

<6.5%

PRODUCT OVERVIEW

YKL GROUP IS INTRODUCING THIS MOST FUNCTIONAL EXPELLER MACHINE IN THE KERNEL CRUSHING INDUSTRY WHICH IS CAPABLE OF ACHIEVING MAXIMUM THROUGHPUT WITH MINIMUM OIL AND SLUDGE IN THE FINAL PRESS CAKE. HENCE, RESULTED IN HIGHER OER IN YOUR KCP PLANT.

PRODUCT IMPROVEMENT

THIS IS A BRAND NEW DESIGN FOR SHORTER DOWNTIME WITH EASE OF OPERATION AND MAINTENANCE.

FOR MORE INFORMATION



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Editor's Message

Warm greetings! We hope that all of our readers remain strong and healthy during this post-COVID-19. Our country has seen the decline in the COVID-19 cases and most businesses have gone back to usual. People have started to adjust to the new normal to cooperate with the government to avoid the surge of the outbreak.

This year is dubbed as cruel season for palm oil as prices started to collapse from January and slumped heavily to May 6. However, palm oil is seen heading to recovery in the second half on plummeting output and improving global demand after few cases of COVID-19 have been reported. The government implemented the Recovery Movement Control Order (RMCO) which provides chances for most companies to be back in business. Globally, the demand in palm oil begin to recover as lockdowns has relaxed especially in major consumers countries such as China and India.

We have seen most companies or industry players shifted to virtual business such as having an exhibition or a conference in a Webinar as a way to stay in the business. The outbreak has triggered the industry players to change to more cost efficient. We have exclusive interviews with the palm oil experts featuring Malaysian Palm Oil Association (MPOA), Malaysian Palm Oil Board (MPOB) and The Palm Oil Refiners Association of Malaysia (PORAM) which dive more regarding the current issues on the palm oil industry.



Susan Tricia
Editor

On behalf of the editorial team, I thank you for your continuous support to Asia Palm Oil Magazine. Stay in touch with us on www.asia-palmoil.com and follow us on Facebook and LinkedIn for more updates. Stay at home and let's together break the chain of COVID-19 virus.



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SPECIFICATIONS

ITEM	TYPE	19H	24H	28H	28M
1	Max. Inlet Pressure (psi)	700	700	700	700
2	Max. Inlet Temperature (F)	750	750	750	750
3	Max. Exhaust Pressure (psi)	vac-100	vac-100	vac-100	vac-100
4	Speed (RPM)	1000-6000	1000-6000	1000-6000	1000-6000
5	Maximum Power (HP)	900	1600	3500	7000
6	Max. Inlet Diameter (in)	4	6	8	8
7	Max. Exhaust Diameter (in)	10	14	16	20
8	Hand Control Valve	0-2	0-2	0-2	0-2



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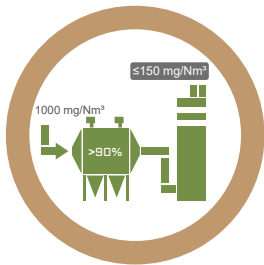
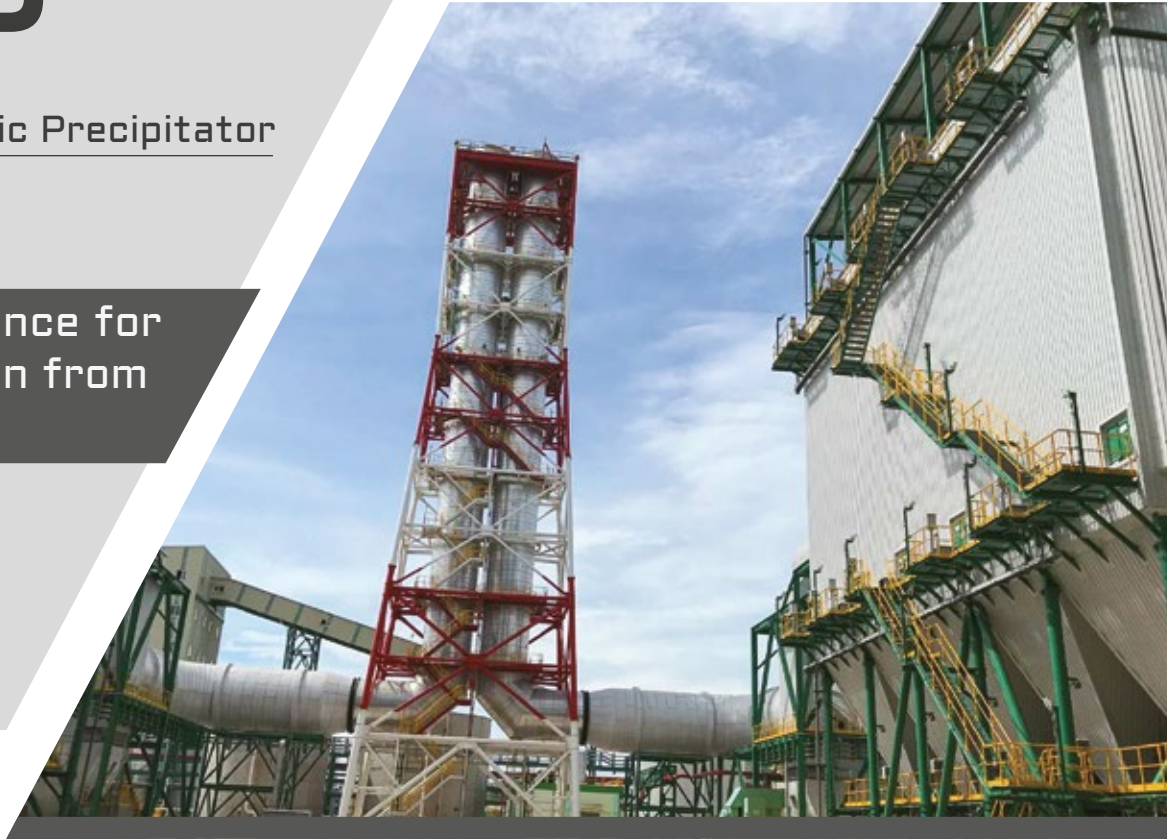
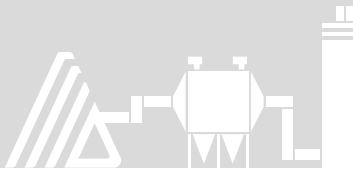
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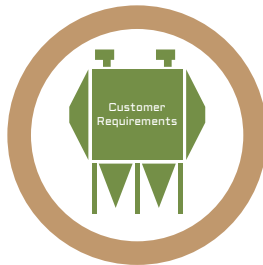
ESP

Electrostatic Precipitator

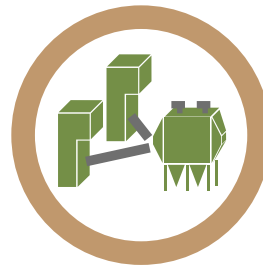
Optimal Performance for
Minimized Emission from
Palm Oil Mill



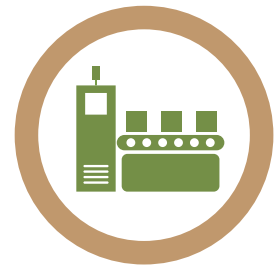
**Optimized Performance
to meet Regulations**
≤ 150 mg/Nm³ with 2 fields



Wide Capacity Range
Suitable for all biomass
boiler



Low Operation Cost
Suitable to upgrade up
to < 50 mg/Nm³

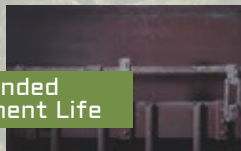


**Local
Manufacture**

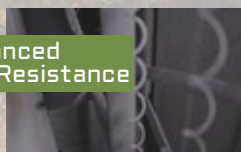
The mechanical and electrical components are produced with the highest quality standards, thus providing stable operating process and thereby extended service life.

Offers outstanding resistance to abrasion and corrosion from the highly corrosive properties and / or hard to clean nature of the flue gas released from the biomass process.

**Extended
Component Life**



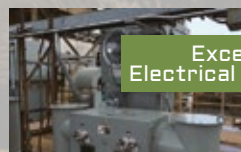
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CASE STUDY

Innovation that leads to unparalleled efficiency

TANER
VERTICAL
STERILIZER
SYSTEM PATENTED
installation work
in progress



PROJECT

- To retrofit a 38-year-old 60TPH mill constructed in Year 1979

SCOPE OF WORK

- FFB and SFB handling system
- Taner Vertical Sterilizer (VS) system
- Civil and structure works to house the new system
- SCADA for FFB handling and sterilization system
- Electrical works

RESULTS

- ↑ **Increase mill capacity** by 20% without additional cost or footprint
- ↓ **Reduce manpower** at front end by 75%
- ↓ **Reduce steam consumption** by 30% and its relative condensate produced
- ↓ **Reduce sterilization cycle time** by 30%
- ↓ **Reduce operating cost** at front end by 65%

BONUS

- ✓ Completed in 8 months with no mill stoppage
- ✓ Automation enabled
- ✓ Enhanced work safety
- ✓ Industrial 4.0 ready

NEXT!

Higher Efficiency
— with —
Oil in condensate
recovery system



(ACCS)
Accelerated Continuous
Clarification System

- Condensate with oil loss in underflow <1% to sample
- Recovered oil purity >90%

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COVID-19 Impact on Ops Limited, Palm Oil Demand Set to Continue, Says Sime Darby Plantation

The potential impact of COVID-19 on Sime Darby Plantation Bhd's business has been limited at this point of time, said its chairman.

In its annual report for the financial year ended Dec 31, 2019 (FY19), chairman Tan Sri Abdul Ghani Othman said the group forecasts palm oil demand to continue as it is an important and essential ingredient of food and non-food products even during times of crisis.

"Based on preliminary assessment, the potential impact of COVID-19 on the group's business and results has been limited at this juncture," he said.

That said, the chairman noted that the pandemic had yet to reach its peak as many countries are struggling to contain the rapid increase in infection and mortality rates.

As such, a prolonged pandemic may impact global markets, disrupt supply chains and economies, while also triggering a global recession that could also impact the supply and demand of the edible oil worldwide.

Commenting on the group's performance in FY19, Abdul Ghani noted that unfavourable weather conditions impacted its fresh fruit bunch (FFB) production, on top of lower crude palm oil (CPO) and palm kernel (PK) prices that were present for most of last year – with the US-China trade war to boot.



While he noted that the rebound in CPO prices at the end of 2019 did provide some respite, the diplomatic friction between Malaysia and India impacted demand from the latter.

The chairman noted that its diversification strategy, particularly through its downstream business – the new Sime Darby Oils brand – had helped it weather challenging market conditions.

"From differentiated products to alternative sectors such as renewables, the group's integrated supply chain allowed us to leverage on our presence across the palm oil production value chain. In short, we were partially insulated against socio-economic, political, environmental and social influences due to our integrated approach to business," he said.

Moving forward, Abdul Ghani said, the planter will continue to dedicate its resources to some of its most critical business activities such as replanting and outside crop programmes, human capital upskilling, digitalisation and supply chain engagement – particularly with smallholders and third-party traders.

&Green Fund Makes Palm Oil Sector Investment in PT Dharma Satya Nusantara Tbk

PT Dharma Satya Nusantara Tbk. (“DSNG”) has signed a US\$ 30.0 million 10-year loan facility from Stichting andgreen. fund (“&Green”), a globally-focused impact investment fund financing sustainable commodity production to protect tropical forests. DSNG is a member of the Roundtable on Sustainable Palm Oil (“RSPO”) and is committed to managing, operating and producing certified, sustainable palm oil.

The second Indonesian investment of the &Green fund will catalyse the implementation of DSNG’s ambitious No Deforestation No Peat No Exploitation (“NDPE”) strategy. Moreover, the long-term loan facility provides DSNG the flexibility to diversify its sources of funding amidst a volatile global credit market backdrop impacted by the COVID-19 pandemic.

DSNG will work with key stakeholders, such as government agencies, local and international NGOs, while recognising that the success of the company’s ambition depends most importantly, on the continued constructive engagement of its community partners.

In collaboration with &Green’s investment advisor, catalytic investment company SAIL Ventures, the project has produced a Landscape Protection Plan, which outlines the collaborative efforts in the landscapes defining DSNG’s various concessions. Furthermore, an Environmental and Social Action Plan will help DSNG navigate the complexities of implementing strategies to manage the concessions sustainably within dynamic social and economic settings.

Beyond this landscape-level approach to forest protection and social inclusion, DSNG will fully implement their NDPE throughout the group and its supply chains, including smallholder farmers, by 2025. In so doing, DSNG’s commitment to transparency and accountability via the strict loan conditions agreed with &Green, could become a model for other growers in the palm oil sector.

“This investment from &Green gives DSNG the confidence that our model for sustainable and inclusive palm oil production, which uplifts communities and preserves biodiversity, can be scaled up and enriched with the right financing partners,” explains Andrianto Oetomo, President Director of DSNG.



“We recognise that we have a responsibility to excel - not only on our business performance - but also in terms of striving toward a net positive impact on the ecosystem that supports our businesses. We accept this challenge and are committed to tackle it with &Green”

“This transaction combines sustainable production of a major commodity of high importance for Indonesia with stringent requirements for forest protection while ensuring social inclusion of smallholder farmers, and therefore fits perfectly with &Green’s mandate of establishing scalable blueprints for the private sector to replicate.” said Felia Salim, of &Green’s Board of Directors, noting that DSNG’s plans are publicly available on &Green’s website; “We are proud to support DSNG’s efforts with our first palm oil sector investment”.

“Providing a 10-year term loan, &Green delivers the financial flexibility needed for DSNG to make ambitious, public commitments to lasting sustainability outcomes and sets a precedent for how the financial sector can sustainably support the palm oil sector,” comments Sanjiv Louis, Investment Director, SE Asia at SAIL Ventures.



The Malaysian Palm Oil Board (MPOB) said in the upstream sector, technologies and inventions are aimed at improving oil palm yields further. — AFP pic

MPOB Commercialisation of Palm Oil Technologies Hits RM3b

About 30.4 per cent of the Malaysian palm oil technologies has so far been commercialised with a market value of RM3 billion, benefiting the industry in all sectors.

The Malaysian Palm Oil Board (MPOB) said in the upstream sector, technologies and inventions are aimed at improving oil palm yields further.

“These include beneficial plants and fogging formulation for bagworm control and rotting fungi to accelerate biodegradation of oil palm trunks, as well as bio-fertilisers for treatment in controlling the diseases of oil palm.

“The MPOB can be proud of its technological innovation breakthroughs when it successfully invented and launched 667 technologies encompassing all sectors in the oil palm industry over the past 20 years,” MPOB director-general Ahmad Parveez Ghulam Kadir said in a statement in conjunction with the board’s 20th anniversary celebration in delivering breakthrough solutions.

Established on May 1, 2000 through the merger of the Palm Oil Research Institute of Malaysia (PORIM) and the Palm Oil Registration and Licensing Authority (PORLA), the MPOB has achieved innumerable successes throughout its 20-year journey to become an authority in the oil palm industry.

The MPOB’s invention of mechanisation and its adoption in the plantation operations for harvesting, collecting loose fruit and in-field transportation have improved worker productivity

and plantation management efficiency.

Meanwhile, advances in breeding and biotechnology research have developed oil palm planting materials, namely the PS1 to PS13 series through its vast collection of mother palms.

They possess different traits such as high yield, dwarf, long stalk and richness in Vitamin E tocotrienol.

Another breakthrough solution is its genome programme which can increase yields through the early selection of high yielding planting materials, as well as reducing the contamination of lower-yielding planting materials of germinated seeds and oil palm seedlings.

Biotechnology techniques such as tissue culture, molecular screening methods, as well as enabling technologies which include sequencing, genomics selection and even genetic engineering enable the increase of production towards oil palm’s theoretical yield of 18 tonnes per hectare per year.

The MPOB made another significant achievement when it became the first organisation to sequence gene-rich region of oil palm in 2005.

The breakthrough was the first catalyst to eventually sequence the oil palm genome, which led to its decoding in 2009.

“This allows the identification of genes influencing important agronomic traits in oil palm. Conversion of these discoveries into molecular diagnostic assays will help improve the efficiency of oil palm breeding,” added Ahmad.



Genting Plantations 1Q Profit Jumps More Than Twofold to RM91.3M on Higher Palm Prices

Higher selling prices of palm products boosted Genting Plantations Bhd's net profit for the first quarter ended March 31, 2020 (1QFY20) by more than twofold to RM91.3 million, from RM41.68 million a year earlier.

In a filing with Bursa Malaysia, the group said crude palm oil (CPO) prices increased by a third to RM2,619 per metric ton (mt) in 1QFY20, from RM1,974 per tonne in FY19, while the selling price of palm kernel was up by a fourth to RM1,593 from RM1,283 a year ago.

Earnings per share (EPS) for 1QFY20 rose to 10.18 sen from 5.16 sen. Revenue, however, fell 8.47% to RM569.04 million mainly due to softer demand for refined palm products of its downstream manufacturing segment.

The group said fresh fruit bunch (FFB) production was 19% lower year-on-year, largely attributed to the lagged effect of adverse weather condition in 2019 which crimped its Malaysian crop output.

The temporary suspension of operations in some estates during the nationwide movement control order (MCO) period also affected production.

While operations in Indonesia also experienced the lagged effect of adverse weather condition, the impact was mostly cushioned by an increase in harvesting area and a better age profile.

On prospects, the group said the outlook for the rest of the year will track the performance of its mainstay plantation segment, which in turn is dependant principally on movements in palm product selling prices and the group's FFB production.

As the COVID-19 pandemic continues to severely affect economies worldwide, the group expects palm oil prices to be primarily influenced by the impact of the pandemic on factors such as demand and supply dynamics of palm oil and other substitute oils and fats, global economic conditions and the

implementation of higher biodiesel mandates by Indonesia and Malaysia.

Given the notable year-on-year decline in FFB production in the first quarter of this year, the group expects to make up for the deficit in the remaining months of the year, underpinned by additional mature areas and a favourable age profile of its Indonesian operations.

However, it said overall demand in the near term will likely be subdued, with the decline in uptake thus far unlikely to be recouped.

On its property segment, it said it derived minimal sales during the MCO period, and given the bearish economic outlook, it expects the segment's performance for the rest of the year to be negatively impacted.

It also said that its Premium Outlets will focus on building up patronage following the resumption of operations in early May 2020.

On its biotechnology segment, Genting Plantations said it will continue its work on developing commercial solutions and applications to enhance the yield and productivity of oil palm.

It expects its downstream manufacturing segment to face challenging times due to weak demand for its products stemming from the COVID-19 pandemic. Further, demand for discretionary blending for biodiesel has subsided due to the prevailing unfavourable palm oil-gas oil (POGO) spread.

Shares in Genting Plantations closed 12 sen or 1.26% higher at RM9.66 today, giving the group a market capitalisation of RM8.67 billion.

The counter has regained 14% from a low of RM8.50 on March 19, a day after the MCO was implemented. But it is still 9% lower than its year-end price of RM10.58 on Dec 31, 2019.



KLK to Buy 60% Stake in Indonesia Oil Palm Firm for RM342 Mil

Kuala Lumpur Kepong Bhd (KLK) said it is buying a 60% stake in an Indonesian oil palm company for RM341.55 million to boost its plantation landbank.

The stake in PT Pinang Witmas Sejati (PWS) is currently held by Ladang Lekir Sdn Bhd, an indirect wholly-owned subsidiary of the Perak State Agricultural Development Corporation. The remaining 40% equity interest is controlled by PT Trimitra Sumberbuana.

KLK said it is buying the stake in PWS - which operates oil palm plantations and is involved in the crude vegetable oil industry - through its Singapore-based wholly-owned unit Taiko Plantations Pte Ltd.

The purchase will be funded by a combination of KLK's existing cash reserves and bank borrowings, the group said in a filing with Bursa Malaysia.

KLK added that the acquisition of the stake gives the group an opportunity to buy a company with a brownfield oil palm plantation, and in line with its business direction to expand its plantation landbank.

PWS has been granted two Hak Guna Usaha (Land Cultivation Rights) titles for 14,738.4ha of land (expiring in 2034) and another 242.09 ha of land (expiring in 2038).

Both plots are located in Kecamatan Bayung Lencir, Kabupaten Musi Banyuasin in South Sumatera.

A total of 14,106 ha of both the land titles are planted, said KLK, adding that there is also a 90-tonne-per-hour palm oil mill situated on the land, which supports PWS' oil palm operations.

KLK said the acquisition is expected to be completed in the third quarter of 2020.

FGV Turns to RE as Part of COVID-19 Recovery Strategy

FGV Holdings Bhd plans to boost returns from its renewable energy projects as part of its recovery strategy from the COVID-19 pandemic.

Group chief executive officer Datuk Haris Fadzilah Hassan said the waste-to-wealth initiative has always been an important element for FGV's business in view of the abundant resource derived from its plantation and mill activities.

Haris said these included producing biogas fuels (gas, solid and liquid) to generate power.

"This initiative can be enhanced further as part of the group's recovery strategy post COVID-19.

"We are reviewing the initiatives under the segment to come up with a solid plan that could be executed immediately," he said.

According to FGV, among the immediate projects that could be carried out were the power generation business through its biogas captures at its palm oil mills.

"Biogas is utilised as fuel for electricity generation via biogas engines to supply electricity to National Grid through Feed-In-Tariff mechanism governed by Sustainable Energy Development Authority.

"It is also used internally for rural electrification in Sabah generating electricity to power-up homes of settlers in Felda Sahabat, Felda Cenderawasih and Felda Umas," it said.

FGV is also carrying out cost optimisation initiatives in terms of fuel savings at its mills and plants.

The group expects to export palm kernel shells (PKS) to Japan as biofuel this year.

"The introduction of Japanese government renewable initiative to depend less on fossil fuel in 2012 has driven up demand, with Japanese PKS imports nearly tripling since 2015, to 1.3 million tonnes in 2018.



FGV Holdings Bhd plans to boost returns from its renewable energy projects as part of its recovery strategy from the COVID-19 pandemic. NSTP/HAFIZ SOHAIMI

"Hence, offering a great opportunity for FGV to explore and penetrate Japanese PKS market, ahead of competition from Indonesia," Haris said.

FGV is also carrying out a joint-venture plan to build an empty fruit bunched (EFB) pulp and paper plant, potentially in Kuantan, Pahang.

The plant is expected to be completed in 2022 or 2023, utilising between half a million to one million tonnes of EFB annually.

"FGV is planning to set up Bio-CNG/Bio-LNG plants at potentially 35 of its palm oil mill through external investments, in addition to its FIT project, palm fibre oil extraction plants, biogas and renewable energy utility project in Sabah, which also involve external parties," he said.

Haris said the initiative was in line with Malaysia Energy Supply Industry 2.0 plan to have 20 per cent in renewable energy in energy mix by 2025.

"The Renewable Energy Division, which is under FGV Palm Industries Sdn Bhd, consists of by-products, renewable energy and zero investment projects relating to biomass produced from palm oil mills," he added.

20 Years of Excellence



File Photo: MPOB's research and development, as well as extensive trial projects using a blend of palm biodiesel and petroleum diesel have enabled the implementation of B5, B7, B10 and B20 biofuel for the transportation sector. - NSTP/EMAIL

It has been 20 years since the Malaysian Palm Oil Board (MPOB) embarked on its journey to boost the country's oil palm research and development and excellent services.

Hundreds of breakthrough technological innovations have been developed and commercialised for the betterment of the oil palm industry.

Equipped with state-of-the-art research facilities, MPOB, the result of a merger between the Palm Oil Research Institute of Malaysia (PORIM) and the Palm Oil Registration and Licensing Authority (PORLA) on May 1, 2000, has successfully invented and launched 667 technologies encompassing all sectors of the oil palm industry, and 30.4 per cent of them have been commercialised with a market value of RM3 billion.

These breakthrough solutions that have been adopted by industry players have benefited the oil palm industry.

In the upstream, our inventions are aimed at improving oil palm yields further. These include planting materials, beneficial plants and fogging formulation for bagworm control and rotting fungi to accelerate biodegradation of oil palm trunks, and bio-fertilisers for treatment in controlling diseases.

MPOB's inventions for the plantation operations, such as the Cantas harvesting tool, have improved worker productivity and plantation management efficiency.

Our advances in breeding and biotechnology research have led to the development of a range of elite oil palm planting materials, namely the PS1 to PS13 series, through a vast collection of mother palms.

These materials have enabled planters to produce dwarf palms and palms with longer fruit stalk that allow for easier harvesting. These, along with palms with increased bunch index and fruit with thinner shells, have resulted in higher yields.

Meanwhile, our genome research enhances crop breeding and tissue culture with the development and application of effective diagnostic tools. In this area, MPOB has achieved significant breakthroughs and established itself as the world's first institute to successfully developed and share the genome of oil palm species and identify crucial markers, such as fruit colour and shell thickness, to improve the crop's traits.

MPOB's Palm Oil Milling Technology Centre, equipped with modern milling technology and plant automation, enables us to carry out research, development and commercialisation of milling technology, such as continuous sterilisation for efficient milling operations.

We also made breakthroughs in the nutritional properties of palm oil, used mainly in food application through our research and collaboration with renowned research institutions.



Clinical studies were undertaken in collaboration with research institutes, such as the Royal Marsden Cancer Centre in the United Kingdom and Ohio State University, Indiana University and Wayne State University in the United States, as well as local universities, in areas related to neuroprotection, radioprotection, stroke, liver and renal diseases.

We carved another milestone when the world's first Integrated Biodiesel Plant in Pasir Gudang, Johor, was unveiled in 2006 using the technology developed by MPOB.

Carotino Sdn Bhd's biodiesel plant is the first in the world that produces normal palm biodiesel and winter-grade fuel that meet the stringent European and US specifications. Since then, our homegrown technology and expertise in developing biodiesel plants are sought after by countries such as South Korea and Thailand.

Subsequently, MPOB's research and development, as well as extensive trial projects using a blend of palm biodiesel and petroleum diesel have enabled the implementation of B5, B7, B10 and B20 biofuel for the transportation sector. These moves strengthen the price of crude palm oil and contribute to the reduction of greenhouse gas emissions amounting to 3.8 million tonnes of carbon dioxide equivalents annually.



MPOB has developed formulations for palm-based detergents, personal care and cosmetics, polyurethane and palm-based industrial products, which have been commercialised by local companies. Recently, it has formulated a hand sanitiser capable of moisturising and protecting the skin.

The sanitiser, formulated with 70 per cent ethanol and a thickening agent, uses palm-based ingredients such as glycerine and Vitamin E. It is our small contributions to frontliners in the battle against COVID-19.

Palm-based oleochemical products are also biodegradable and environmentally friendly.

MPOB will continue to provide leadership and impetus in developing a diversified, globally competitive and sustainable oil palm industry in its quest to become the premier "Nobel Laureate" - producing research and development institution in Malaysia.

The writer is the director-general of Malaysia Palm Oil Board, Dr Ahmad Parveez Ghulam Kadir.

The above comments and opinions in the article are the author's own and do not necessarily represent Asia Palm Oil Magazine's view.

Malaysian Palm Oil Players Warn of Tougher Times as Pandemic Hits Prices



FILE PHOTO: A worker unloads palm oil fruits from a lorry inside a palm oil factory in Salak Tinggi, outside Kuala Lumpur August 4, 2014. REUTERS/Samsul Said

Malaysian palm oil industry leaders warned on depressed prices this year as the coronavirus pandemic cuts global demand and boosts inventories, with the biggest producer warning of painful cost cuts.

"A full recovery may only happen in Q4 of 2021. Things may get worse before it gets better," Sime Darby Oils managing director Mohd Haris Mohd Arshad said during a webinar with the Malaysian Palm Oil Council (MPOC).

"The industry may see another round of painful cost cutting. The key to survival is keeping operating costs down, manage our sells well and not run out of cash," he said.

Coronavirus-driven lockdowns in many countries, which has shut restaurants and curbed travel, sent benchmark crude palm oil to near 10-month lows at 2,014 ringgit (\$464.59) per tonne.

The contract started the year on a high at 3,130 ringgit (\$723.36) per tonne.

State agency MPOC estimated that the overall global demand for the world's most widely used vegetable oil have plunged 25% amid the pandemic.

"Due to the loss of food consumption and reduced biodiesel demand, palm oil prices may remain depressed," Mohd Haris said, adding that the industry will see growth in the consumption of palm oil for food fall for the first time.

The crash in crude oil prices has also made palm biodiesel less competitive, Malaysian Biodiesel Association (MBA) president U.R. Unnithan said.

He said biodiesel mandates in top producing countries Indonesia and Malaysia are needed to slow the build-up of stocks amid a slump in exports.

April inventories in Malaysia surged 18% to 2.05 million tonnes from March, the highest since December 2019, the Malaysian Palm Oil Board said.

The world's second largest producer last month delayed the nationwide adoption of its B20 mandate - biodiesel with 20% palm oil mix - due to its virus curbs.

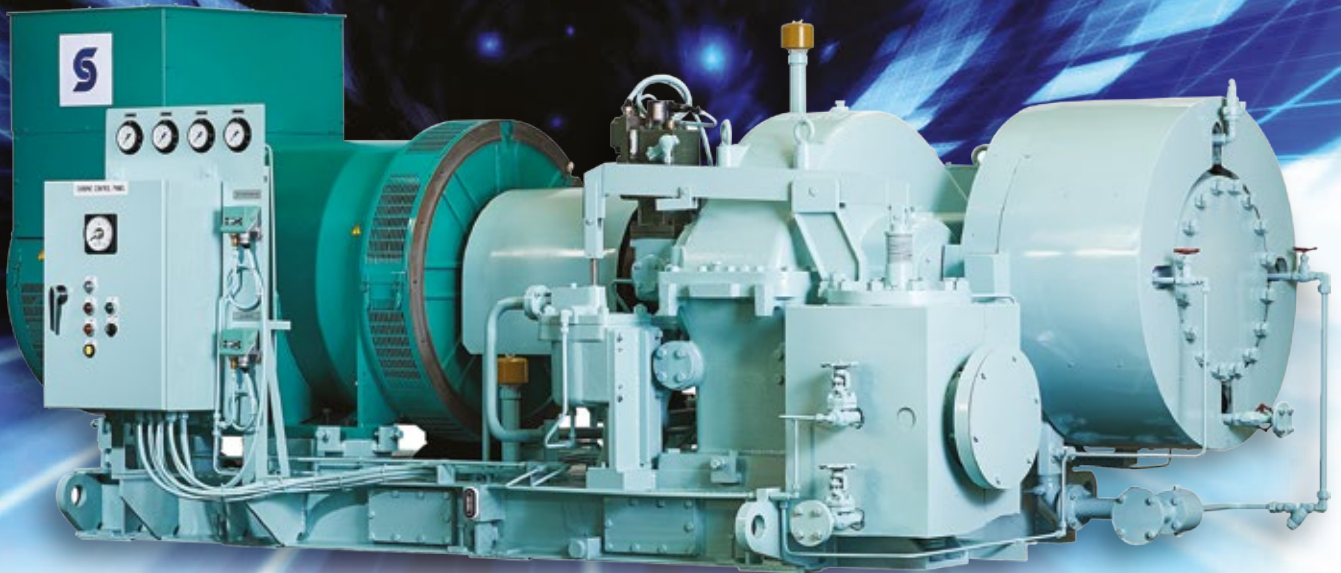
Indonesia has also signalled plans to delay its B40 mandate and continue with an already ambitious 30% content.

"We are not going see a stockpile figure of less than 2 million tonnes unless sales pick up, but we do not see anything improving before 2021," Malaysian Palm Oil Association (MPOA) CEO Nageeb Wahab said.

"I am worried that we will go back to 2018 year-end stock levels of more than 3 million tonnes," Nageeb said.

The Malaysian Biodiesel Association forecast 2020 crude palm oil prices to trade at 1,800-2,300 ringgit per tonne.

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Palm Oil Veteran Hails MPOC Rebuke of WHO Over 'Don't Consume Palm Oil' Advice

Palm oil industry veteran M R Chandran has hailed the Malaysian Palm Oil Council (MPOC) for rebuking the World Health Organization (WHO) over its advice to consumers to not consume palm oil products.

“Congratulations to MPOC on its compelling and clear criticism of the WHO for its negative stance on palm oil as a dietary ingredient during the COVID-19 outbreak, and the promotion of alternatives such as olive oil instead,” said the Roundtable on Sustainable Palm Oil (RSPO) advisor.

Chandran added that the fact the MPOC's rebuke was published in the New York Times was all the more exciting and gratifying for Malaysia and the palm oil industry.

“The importance of communicating and educating cannot be understated, and I hope that the article by Datuk Dr. Kalyana Sundram, CEO of MPOC, will shift public opinion and dispel myths about the negative nutritional attributes of palm oil.

“Despite the increasing scientific data to exonerate saturated fats as the major risk factor for heart disease, it is disheartening that caution against saturated fats remains a keystone of dietary guidelines by several agencies.

“In this regard, I again applaud MPOC for its tireless efforts in promoting the positive qualities of palm oil and stating its case

with scientific clarity,” said Chandran, who is also the former Malaysian Palm Oil Association chief executive.


WHO's Eastern Mediterranean Regional Office said in an advisory that consumers should consume unsaturated fats found in fish, avocado, nuts, olive oil, soy, canola, sunflower and corn oils rather than saturated fats found in fatty meat, butter, palm and coconut oils, cream cheese, ghee and lard.

Kalyana had noted that Wayne State University Food Science and Nutrition Department Associate Professor Pramod Khosla viewed WHO's message as antiquated.

“As data accumulates on the impact of COVID-19, it is already apparent that mortality has been higher in elderly individuals (>60 years of age), men have been impacted more than women, as have individuals with pre-existing conditions (e.g. hypertension, cardiovascular disease and diabetes),” said Kalyana and Khosla.

They highlighted that palm oil has a natural balance of saturated and unsaturated fats, does not require hydrogenation and is available in large quantities.





New Dates Set for B20 Biodiesel Programme Implementation in Sabah, Sarawak

The implementation of the B20 biodiesel programme in Sabah and Sarawak's transportation sector will be rescheduled to start from later dates in the wake of the COVID-19 pandemic and the Movement Control Order (MCO), said Primary Industries and Commodities Minister Datuk Dr Mohd Khairuddin Aman Razali.

He said the programme would be implemented in Sarawak from Sept 1, 2020, instead of April 2020, and in Sabah from Jan 1 next year compared with the earlier target of August 2020.

"The date to implement the programme in the peninsula, previously set on June 15, 2021, has not changed," he told the media after meeting with petroleum companies' representatives to discuss current issues and the plan for B20 programme's implementation in the transportation sector.

B20 biodiesel is a blend of 20 per cent palm methyl esters and 80 per cent petroleum diesel. The programme is a government initiative which is expected to absorb 534,000 tonnes of palm oil per annum.

It is being implemented in the transportation sector in phases starting in Langkawi on Jan 1, 2020, and Labuan on Jan 15.

Mohd Khairuddin said the delay in the programme's implementation was due to the COVID-19 pandemic and the MCO implementation, which resulted in constraints in the plan to upgrade 35 blending depots needed to supply the product.

Malaysia Not Threatened by Bill Gates' Synthetic Palm Oil Project

Malaysia does not see the production of synthetic palm oil by US start-up company, C16 Biosciences, as a threat to natural palm oil supply chain, particularly when produced under the best agricultural practices and sustainability standards.

In fact, the world's second largest palm oil producer wishes the best to the company, the investment arm of Bill Gates-led Breakthrough Energy Ventures, in its endeavours and will even be prepared to work with them if they desire.

"There are so many other intrinsic difficulties that will come with trying to copy nature's palm oil.

"For example, the intricacies and complexities of nature's triglyceride species patched to a glycerol molecule and present in palm oil through varied configurations can hardly be fully duplicated by current technologies."

These statements were contained in an article written by the Plantation Industries and Commodities Minister Datuk Dr. Mohd Khairuddin Aman Razali and Malaysian Palm Oil Council chief executive officer Datuk Dr. Kalyana Sundram to Euractiv, an independent pan-European media network specialised in European Union (EU) policies. Both of them agreed nature seems to be the sole patent holder for successful permutation of such molecular triglyceride species.

The C16 Biosciences synthetic palm oil project received US\$20 million (US\$1=RM4.39) fund from the Microsoft Corporation co-founder. Mohd Khairuddin and Sundram said C16 Biosciences might actually succeed in generating the core straight chain fatty acid molecules that are the backbone of palm oil and indeed all oils and fats.

But they asked if that was enough, knowing that science can also produce such carbon chain fatty acid molecules from various other processes and means.

"Take the case of saturated fats and human blood cholesterol response. American lipid specialists pushed the idea that saturated stearic acid was cholesterol neutral whereas palmitic acid found in palm oil was cholesterol elevating.

"They went ahead and created an artificial, fully saturated tri-stearic triglyceride through process technologies. The truth is that nature and human metabolism hardly tolerated too many of such molecules," they explained.

They said the likes of C16 Biosciences should nevertheless be credited for thinking out of the box, but do not necessarily agree that they will generate the global opportunity that could limit the use of natural palm oil.

"Even if they succeed, given the very large odds stacked against such a technology, their impact upon natural palm oil supply chains will be minimal. The hype created in various Western media around this sounds like another stab wounding aimed at the palm oil industry.

"As a nation, Malaysia has led the scientific entrepreneurship in palm oil with several hundred millions already expanded into various research and development programmes. These have often partnered some of the best research institutes from around the world."



For example, the Malaysian Palm Oil Board's scientists succeeded in the mapping of the oil palm genome and published it in the Nature journal.

"At this stage, when global resources are so limited, we would respectfully like to call upon all parties to seek mutual collaboration for the betterment of humanity, and not to use innovative opportunities as a chance to backstab sustainable palm oil production and its supply chain," they added.

Malaysia Criticises WHO's Advice against Palm Oil during COVID-19 Outbreak

Malaysia criticised the World Health Organisation for advising adults to avoid palm oil in their diet during the COVID-19 outbreak and use alternatives such as olive oil.

The WHO Eastern Mediterranean Regional Office said in a recent advisory that people should consume unsaturated fats found in fish, avocado, nuts, olive oil, soy, canola, sunflower and corn oils rather than saturated fats found in fatty meat, butter, palm and coconut oils, cream, cheese, ghee and lard.

Malaysia, the world's second-biggest producer of palm oil, said such advice was "antiquated".

"With regards to dietary fats as a major source of calories, WHO through its most recent advisory has again fallen into the same previous well of promoting certain commodity oils while brushing aside palm oil," Kalyana Sundram, CEO of the Malaysian Palm Oil Council (MPOC), a state agency responsible for promoting the commodity, said in an MPOC opinion piece.

The WHO Regional Office for the Eastern Mediterranean did not immediately respond to a request for comment on the MPOC's position.

The MPOC article said palm oil has a natural balance of saturated and unsaturated fats to ensure the absorption of various dietary micronutrients, does not require hydrogenation - treating oils with hydrogen to increase their shelf life - and is available in large quantities.

"In countries where fat consumption is below recommendations of the WHO, as is the case in large parts of Asia and Africa, health focus is different," the MPOC said. "The need to provide a reliable, sustainable and affordable source of calories to ward off undernutrition (and increased susceptibility of infection) is paramount."



FILE PHOTO: A Sime Darby Plantation worker collects palm oil fruits at a plantation in Pulau Carey, Malaysia, January 31, 2020. REUTERS/Lim Huey Teng

Kalyana said the WHO should focus on coming up with "radically different health management ideas" instead of falling back on "antiquated messages".

Palm oil is used in everything from infant formula to cookies, but demand for the vegetable oil has been hammered due to the closure of restaurants during virus-linked lockdowns in many countries.

Neighbours Malaysia and Indonesia together produce 85 per cent of the world's palm oil, but the industry has faced intense criticism from environmentalists over mass stripping of tropical forests to grow the lucrative crop.



CPOPC
COUNCIL OF PALM OIL PRODUCING COUNTRIES

Plantation Minister, CPOPC Discuss Issues on Country's Palm Oil Industry

The Ministry of Plantation Industries and Commodity held a meeting with the Council of Palm Oil Producing Countries (CPOPC) where they discussed various issues related to the palm oil industry.

The ministry said its minister Datuk Dr Mohd Khairuddin Aman Razali received a courtesy call by the CPOPC's executive director Tan Sri Dr Yusof Basiron.

Both sides touched on Malaysia's commitment and action in fighting issues related to the anti-palm oil campaign to safeguard the interests of the industry.

"Also discussed were proposals to address issues related to low crude palm oil prices that had impacted stakeholders, especially smallholders, as well as efforts to enhance Malaysia's cooperation with the CPOPC," the ministry said in a statement.

CPOPC is an organisation of oil palm producing countries which was established by Malaysia and Indonesia in 2015 to combat issues related to the industry.

As the world's largest and second-largest producers, Indonesia and Malaysia are working to find common grounds in developing the palm oil industry as well as to safeguard the interest of the industry in both countries.

Colombia and Ghana are expected to formally join the CPOPC in the near future.

Several other countries have also expressed their interest in joining the CPOPC, which is currently chaired by Malaysia until Dec 31, 2020.

The ministry has also expressed its appreciation to the CPOPC's secretariat and hoped it will become a bridge to build closer relations between Malaysia and Indonesia.



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Efforts Being Made to Get More Sarawakians to Join Oil Palm Industry



Willie (second left) looks at the fruit bunches during his visit to the Sempadi Palm Oil Factory.

The federal government is actively increasing its efforts to draw more people, especially Sarawakians, to participate in the oil palm industry to improve their income.

Deputy Minister of Plantations and Commodities Willie Mongin said more focus will be put to help farmers increase their productivity as well as venture into the downstream sector.

He believed the increase in productivity and downstream products will not only help increase the income of the farmers but also sustain their participation in the industry.

At the same time, he said the ministry together with the Malaysian Palm Oil Board (MPOB) and Malaysian Oil Palm Council (MPOC) is also actively helping farmers, including independent smallholders in Sarawak, to obtain the Malaysian Sustainable Palm Oil (MSPO) Certification.

“The problem is with the independent smallholders, of whom many are struggling to adhere to international standards.

“MPOB is intensifying efforts to help independent smallholders through the Sustainable Palm Oil Cluster (SPOC), where under SPOC, independent smallholders will jointly implement Good Agriculture Practices (GAP) in order to qualify for MSPO certification.

“The MSPO certification will guarantee improved productivity and quality of the fruit which in turn contributes to the increase in income of smallholders,” he said in a statement yesterday.

According to Willie, smallholders are divided into two categories – organised smallholders and independent smallholders.

Organised smallholders are the likes of Federal Land Consolidation and Rehabilitation Authority (Felcra), Federal Land Development Authority (Felda) and Sarawak Land Consolidation and Rehabilitation Authority (Salcra), which have no issue in complying with MSPO, he pointed out.

Willie, who made a site visit to Sempadi Palm Oil Factory on, reiterated that the government is focused on empowering independent smallholders to increase production and income.

He said the objective would be achieved through the active involvement of independent smallholders in implementing GAP, which is one of the key criteria in implementing MSPO certification for sustainable production.

He noted that the implementation of the MSPO certification was a strategic step to enhance the competitiveness and image of the national oil palm industry to secure the palm oil market overseas.

He said agencies in Malaysia that have achieved 100 per cent MSPO certification are Felda, Salcra, Felcra, Sabah Land Development Board, Sarawak Land Development Board, and Perbadanan Kemajuan Ekonomi Islam Negeri Perak, while South Kelantan Development Authority is still in the process of MSPO certification.

Analyst: Sarawak Oil Palms May See Surprising 1Q Results

Sarawak Oil Palms Bhd (Sarawak Oil Palms) may report a good set of results for its first quarter of financial year 2020 (1QFY20).

According to Maybank Investment Bank Bhd (Maybank IB Research), it believed that the planters are not affected by the movement control order (MCO).

“By our estimate, SOP will likely report a good set of 1Q20 results, lifted by higher prices of crude palm oil (CPO) and output,” it said in a note.

“Its upcoming 1Q20 results is likely to show significant year on year (y-o-y) improvement in net profit (NP) driven by higher CPO spot price and to a lesser extent, output.

“We expect Sarawak Oil Palm to report at least RM30 million in headline net profit or 28 per cent of our full-year forecast. This estimate excludes potential reversal of some of the RM23 million in FV loss of derivative fixed income recognised in 4Q19.”

The palm oil firm maintained its guidance for fresh fruit bunch growth between five to eight per cent for 2020 while its 1Q20 output grew 3.5 per cent y-o-y.

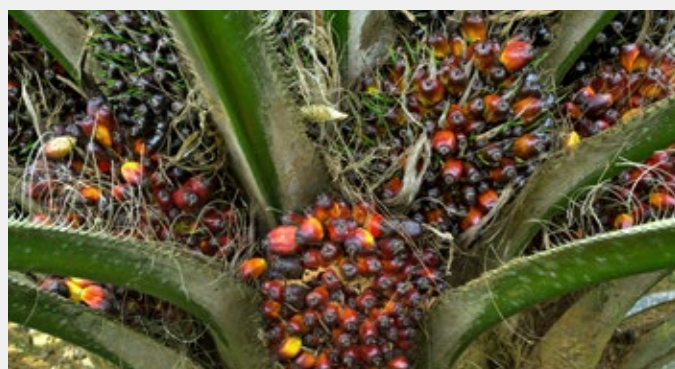
“At the start of the year, Sarawak Oil Palm sold forward about 10 per cent of 2020’s output at an average CPO price of RM2,

700 per tonne that will be delivered in the first half of the year,” Maybank IB Research added.

“It guided for its 2020 all-in operating cost of production at RM1, 650 per tonne and its operating cash cost at RM1, 300 to RM1, 350 per tonne.”

Meanwhile, its refinery was shut down for three weeks on planned maintenance in February 2020, but the research firm said that its refinery margin remained positive in 1Q20.

It also forewarned that its existing B10 programme is ongoing but B20 is subject to review; 2020’s group capital expenditure will be less than RM100 million as major developments have been delayed; and that it is still working to obtain RSPO membership and certification.



Sarawak Oil Palms Embark On New Initiatives, Seek Diversification



For the plantation sector, crop losses were severe due to labour shortage despite the group's best efforts to recruit more workers.

Sarawak Oil Palms Bhd (Sarawak Oil Palms) has embarked on new initiatives and seeks market diversification, to overcome challenges such as labour crunch, price swings and import restrictions.

Sarawak Oil Palms group executive chairman Tan Sri Datuk Ling Chiong Ho said for the plantation sector, crop losses were severe due to labour shortage despite the group's best efforts to recruit more workers.

"Labour was a common structural issue across the industry that was expected to persist," Ling said in Sarawak Oil Palm's Annual Report 2019 chairman statement.

"As such, we had embarked on new initiatives with mechanisation to improve efficiency."

According to Ling, the industry will always encounter challenges such as labour crunch, price swings and import restrictions.

"To overcome these, we will seek market diversification, to be less labour intensive and raise efficiency in order to lower cost.

"We will forge ahead by harnessing the full potential of our assets, stay resilient against any adverse external shocks and continue to deliver exceptional value to our stakeholders."

In anticipation of future developments, Sarawak Oil Palms had decided to set aside a large portion of reserve funds for strategic purposes.

Ling highlighted that the cash and cash equivalents of RM755.8 million as at 2019 closing would be managed sensibly for better debt management and act as a buffer from any unfavourable market fluctuations.

On the COVID-19 pandemic, Ling acknowledged that it is an emerging crisis for the world.



"It is my fervent hope that we can overcome it together and achieve better results for the year 2020 and for Sarawak Oil Palms to be further recognised as a leading integrated sustainable producer in Sarawak."

Malaysian Palm Oil Producers Step up Perks to Retain Foreign Workers amid Pandemic

After five years of often back breaking work on a Malaysian palm oil plantation, Bangladeshi national Babul told his employer this month he was ready to call it quits. The plantation owner in the Malay Peninsula immediately countered with a bonus of RM500 — around a quarter of Babul's monthly salary — to entice him to extend his contract by at least a year.

The coronavirus pandemic is exacerbating a labour shortage in the Malaysian palm oil industry, which is heavily reliant on foreign workers. Thousands have already abandoned plantations in the world's second largest producer, heading home as borders closed, and adding pressure in an industry where around 2-3% of foreign workers "abscond" each year.

The labour crunch threatens to reduce Malaysia's output and exports at a time of increased competition as global demand for palm oil is forecast to slip by around 3% in the current crop year. Babul's employer is among those trying to entice foreign workers, who make up roughly 84% of field hands in the country, to stay.

"I told my boss I don't want to be here anymore," said Babul, who sprays pesticide in the field. "He said the borders are closed, asked me to wait until the virus is settled and extended my contract by another year."

Babul, who declined to give his second name not to identify his employer, normally sends home more than two-thirds of his roughly RM2,000-a-month salary. The state-run Malaysian Palm Oil Board (MPOB) says the industry employs nearly 337,000 foreigners but is still short by more than 37,000 field workers.

Among the exodus were thousands of workers from neighbouring Indonesia in March as Malaysia closed borders to contain the coronavirus. There are fears of a renewed flood of departures when borders reopen.

A dearth of workers could delay palm fruit harvesting and curb oil output as extraction rates fall when fruit bunches are picked late. The industry already loses around 10-20% of potential production annually due to worker shortages, Malaysian Palm Oil Association (MPOA) Chief Executive Nageeb Wahab told Reuters.

The MPOB has forecast the country's 2020 crude palm oil output to fall 4.3% to 19 million tonnes. Exports, on which Malaysia is more dependent than top producer Indonesia because of lower domestic consumption, are forecast to slump 11% to 16.5 million tonnes.

FGV Holdings, the world's largest crude palm oil producer by volume, is among those who have launched new initiatives to keep workers.

"We are looking at retention initiatives to entice plantation workers to work longer with us by offering contract renewal, new facilities such as e-wallet, sundry shops and corporate social responsibility programmes," FGV said in an email.

Plantation workers typically work long hours and live within plantation estates. They are usually paid a flat minimum wage plus incentive pay-outs linked to performance, such as the tonnage of fruit collected. IOI Corp Bhd said it had started giving extra cash to workers extending contracts beyond two years, but declined to share details.

Local labour push

Labour typically accounts for 30-40% of production costs in the palm oil industry, and the new incentive plans would add to that bill.

The Malaysian government has asked companies to make the work more attractive for locals who have shunned what they see as dirty, dangerous, and difficult jobs. Singapore-based Wilmar International Ltd said it was intensifying its recruitment drive for locals and boosting productivity with training.

However, MPOA, which represents big planters such as FGV and Sime Darby Plantations Bhd, agreed to look locally for general work like fertilising but still wants the government to issue foreign work permits for harvesters. Harvesting is considered a difficult skilled job as workers need to lift a long pole to pick the palm fruits from trees that can tower as high as 25 metres.

Cameroon to Import 90,000 Tons of Crude Palm Oil to Guarantee Supply for Refiners This Year



In Cameroon, refined vegetable oil and soap producers plan to import 90,000 tons of crude palm oil to supply refining plants.

According to an authoritative source, this decision was recently taken by the Oilseed Industry Regulatory Commission. Authorized sources also reveal that the commission has introduced a request to back this importation plan with the usual facilities such as VAT exemption and customs duties at 5%.

The products could come from Gabon that has become one of the country's palm oil suppliers thanks to a project being implemented by Singaporean firm Olam and Gabon.

This plan, elaborated despite the coronavirus health crisis -which caused a 40% drop in activity in the sector (according to operators) seems to be the sector's way of preparing for post-COVID-19.

Exploding demand

According to operators in the sector, for several years, Cameroon has had yearly structural deficit estimated at 130,000 tons. "The structural deficit of 130,000 tons that we often talk about is a nominal deficit. It is different from the real deficit. This nominal deficit is calculated by taking into account 50% of the processing companies' stated capacities. If we were to take the processing companies' real capacities into account, the deficit will be much larger," explained Emmanuel Koulou Ada, the president of the Oilseed Industry Regulatory Commission.

He explained that thanks to the 2013 law (revised in 2017) which provides incentives for private investments in Cameroon, processors (refined oils, household and toilet soaps producers) increased investments in this sector. This increased investment substantially boosted the demand for palm oil.

This demand, we learn from the same source, is currently estimated at more than one million tons. However, according to the Ministry of Agriculture, the local supply of palm oil has increased from 343,000 tons in 2014 to 413,000 tons in 2018. It is expected to reach 450,000 tons in 2020. Despite this gradual increase, there is still a large gap between the processors' real needs and national production.



Distant

/dɪst(ə)nt/

adjective

remote or far apart in resemblance or relationship

“At the moment, you may feel that we are distant”

Together

/tə'geðə/

adverb

into companionship or close association

“New Holland stands together with every farmer in Southeast Asia”

During these uncertain times, it is no longer commonplace to meet and discuss, to chat, to take time to be with people face-to-face, but that doesn't mean that we are not still together, however distant that we may seem.

To the farmers, the growers, the planters, the harvesters, the tractor drivers, the technicians, the dealers and the distributors, **thank you** for the vital contribution that you make to society and the risks that you are taking on a daily basis so that we can have fresh milk in our fridges, rice in our pantries and oil in our cupboards.

New Holland Agriculture stands by the side of every farmer in Southeast Asia during the coronavirus crisis. With our network of dedicated dealers offering around-the-clock support, you can be assured that wherever you are and whatever your farming business, we will move forward and face the 'new normal' together.

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India Could Soon Return to Malaysia for Palm Oil



India is seen as having very little choice and could soon turn to Malaysia and start importing back, especially if the COVID-19 pandemic situation in Indonesia gets worse and the country goes into full lockdown as most of the countries are doing at the very moment.

“The country (India) could step up purchases in the coming months as shipments are reportedly easing up,” the Malaysian Palm Oil Council (MPOC) said in its second quarter outlook for palm oil in the South Asian countries.

However, the current lockdown conditions will be the determining factor as to whether the required import volumes can be achieved or continue to add to the current woes, it said.

With the end of the Movement Control Order (MCO) in sight, many businesses, that have been practically in operational for the past two months, are now making plans to resume operations.

In India, total imports of oils and fats are projected at 1.0 to 1.2 million metric tonnes (MT) on a monthly basis, in which palm oil's share will be at 50 per cent, it said.

MPOC said the Saurashtra Oil Mills Association (SOMA), the largest organisation of groundnut oil millers, has also urged the Indian government to remove the restrictions on refined palm oil import to meet the huge shortfall in the domestic edible oil market owing to the lockdown.

“It added that the country could expect a spike in the domestic prices of edible oils in the coming month if there is no relaxation in the palm oil imports into the country,” it said.

Malaysia is currently going through a partial lockdown but the palm oil industry can continue to operate due to the importance of palm oil to the country's economy. The plantation sector has been allowed to resume its operations alongside refineries and cooking oil producers.

Nevertheless, the outlook said Malaysia cannot expect to achieve the same market share in the palm oil import basket under the current situation compared with a 45 per cent market share last year.

A reasonable expectation for Malaysian Palm Oil's (MPO) share would be about 25 per cent, which is closer to the share as in 2018, it indicated.

PAKISTAN

As for Pakistan, it is anticipated that oils and fats imports will maintain their current momentum and exceed the total volume of 1.6 million MT by the end of June 2020.

Pakistan is a net importer of oils and fats with 90 per cent of the total requirement met by imports. This is the main reason that Pakistan's imports are maintaining their existing volumes, despite the ongoing pandemic and restrictions.

At the end of the first quarter of 2020, total imports of edible oil in Pakistan registered a decline of only 1.2 per cent when compared with the same period last year. During the same period, the local stocks in Pakistan registered a decline of 9.5 per cent, which compensated for the lower arrivals.

The arrivals of edible oil are also likely to strengthen in the months of May and June to capitalise on the two per cent duty relief that the government of Pakistan has announced on the import of edible oil for a period of three months, ending on June 30, 2020.

“It is also pertinent to note that palm oil and its major fractions contribute more than 95 per cent of the total imports of oils and fats in Pakistan,” said MPOC.

MPO’s market share is currently at 27 per cent and it is likely that Malaysia will continue to maintain this level of share and reach the total export volume of 450,000 MT by the end of June 2020.

This is based on the assumption that the current disruption in Sabah plantations will not affect the overall supply situation from Malaysia.

BANGLADESH

The council said preliminary data from the local source shows that imports of palm oil on April 1-20, 2020 have declined to 88,271 MT from 130,746 MT during the same period a year ago.

Imports of crude degummed soybean oil however have increased to 92,300 MT during 1-20 April, 2020, as opposed to 76,350 MT during the same period last year, owing to the competitive prices.

Imports of rapeseed/canola registered 19,748 MT in the first 20 days of April 2020 as compared with zero imports recorded during the same time span last year, it said.

It is expected that palm oil consumption will continue to be affected in anticipation that the impact of the COVID-19 pandemic could prolong until the end of the second half of 2020.

“Hence, we could see a further reduction in the import of palm oil in the second quarter of 2020. A higher quantum of decline can be expected since palm oil has a larger share in the Bangladeshi edible oils market.”

Based on MPOC Dhaka market intelligence data, consumption of palm oil during the Ramadan 2020 period is expected to go down by 62 per cent to approximately 97,000 MT, a steep decline from 255,000 MT that was recorded during the month of Ramadan in 2019, said MPOC.

This includes reductions in the household consumption, shortening/Vanaspati industries, and food processing industries, hotels and restaurants including fast food chains as well as street vendors.

KEY EXPORT DESTINATIONS

The South Asian countries are important export destinations for Malaysian palm oil. At the end of 2019, MPO exports to this region registered an unprecedented record of 5.75 million MT, an increase of 36.3 per cent from what had been achieved in 2018.

The feat was largely attributed to the significant increase in MPO exports to India which were recorded at 4.41 million MT due to an import duty advantage, accounting for almost 77 per cent of the total MPO exports into this region.

The scenario has since changed for the first quarter of 2020 (Q1 2020). Data by the Malaysian Palm Oil Board (MPOB) shows that for the period of January-March 2020, MPO exports to this region have gone down by 957,994 MT or 66.9 per cent as compared with the same period a year ago.

The staggering drop in MPO exports to India has contributed to the overall decline in the total exports into this region. Following a trade spat between India and Malaysia in 2019, a restriction has been imposed on the importation of refined palm oil into India.

The restriction has greatly caused a major blow to exports of palm oil from Malaysia to this country.

Due to the fact that the Indonesian suppliers have been fulfilling the added demand coming from India since the beginning of 2020, MPO has been gaining share in markets like Pakistan and Bangladesh.

Palm oil imports from Malaysia have increased due to the fact that Malaysian suppliers are able to offer competitive prices to the local buyers.



India Resumes Purchases of Malaysian Palm Oil

Indian buyers have resumed purchases of Malaysian palm oil after a four-month gap following a diplomatic row, with buying spurred by a fall in domestic inventories and discounted prices, trade sources said.

The renewed purchases came amid improving trade relations between the two countries after the formation of a new government in Kuala Lumpur, with Malaysia signing a deal last week to buy a record 100,000 tonnes of Indian rice.

Leading Indian importers last week contracted up to 200,000 tonnes of crude palm oil from Malaysia, the world's No. 2 producer after Indonesia, to be shipped in June and July.

"Port stocks have dropped sharply in India because of lower imports," said a Singapore-based trader who sells Malaysian and Indonesian palm oil.

Ship-tracking data compiled by Refinitiv showed that India's total palm oil imports for the first four months of 2020 fell by more than 50% from the same period in 2019 to 1.11 million tonnes.

A restart to buying by India, the world's biggest edible oil importer, could further support Malaysian palm oil prices, which have edged up from 10-month lows in recent days.

India early this year restricted imports of Malaysian palm oil after then Prime Minister Tun Dr Mahathir Mohamad criticised policies by New Delhi affecting the country's Muslim minority.

The renewed buying has been spurred by low stocks, while India's relations with Malaysia have been improving since a new government was formed in early March, said an Indian edible oil refiner who contracted "a few vessels" for June shipment.

"I think the Indian government will allow unloading of upcoming shipments. We can't rely on one seller (Indonesia) indefinitely, especially when you have to build inventory," the buyer said.

India's Commerce Ministry did not immediately respond to a request for comment.



Attractive discount

Malaysian palm oil is now available at a US\$15 (RM65.26) discount to supplies from Indonesia which yesterday raised its palm oil export levy by US\$5 per tonne, said a Mumbai-based dealer with a global trading firm.

Indian purchases of palm oil from Malaysia could rise further if discounts remain, he said.

Malaysian buyers are eager to sell even at a discount as stocks are rising and production is expected to improve in June, said a second Indian edible oil refiner, who bought Malaysian palm oil.

Malaysia's palm oil inventories jumped to more than two million tonnes in April, well above expectations, as production surged to a six-month high and COVID-19 lockdowns led to a slump in demand.

India buys more than nine million tonnes of palm oil a year, accounting for nearly two-thirds of its total edible oil imports, and took a record 4.4 million tonnes of Malaysian palm oil in 2019.

"Indonesia's export tax is allowing Malaysian sellers to offer a discount. It is tempting for Indian buyers," said Anilkumar Bagani, the research head of Sunvin Group, a Mumbai-based vegetable oil broker.

Local Palm Oil Industry Ready to Support Government Domestic Agriculture Drive: POIA

Sri Lanka's oil palm cultivators can provide tangible support to the government's efforts to promote local agriculture and import substitution as a response to the impact of the COVID-19 pandemic on the national economy, the sector's apex industry association has said.

In a statement, the Palm Oil Industry Association (POIA) which represents cultivators as well as refiners, processors, manufacturers, marketers and sellers of palm oil and other products of the oil palm, said the local industry could help mitigate the effects on multiple sectors, of the increase in the special commodity levy on imported palm oil.

Sri Lanka already has 9,000 hectares of oil palm, cultivated under highly-regulated conditions, to ensure the industry is environmentally non-invasive; and plantation companies have been mandated to increase the country's total area under oil palm to 20,000 hectares under strictly-enforced guidelines, the association pointed out.

However, the baseless vilification of the local palm oil industry by elements with vested interests had seriously delayed the government-approved expansion of cultivation, leading to the country producing just 23,000 tonnes of palm oil per annum and the import of a staggering 240,000 tonnes of crude palm oil into the country each year, the POIA said.

"Numerous sectors such as confectionery manufacturers have already expressed concern on the increase in their costs of production as a result of the imposition of the special commodity levy on imported palm oil," POIA President Dr. Rohan Fernando said.

"Confectionary manufacturers, for example, have said they would start making losses of Rs. 100 million per month as a result of the higher cost of imported palm oil."

"While we understand and appreciate the factors that have necessitated the imposition of the levy, we feel this is an opportune moment for the government to support the local palm oil industry, especially since it can contribute significantly to the government's drive to promote domestic production and self-sufficiency as a long-term goal.

"Palm oil cultivation is already helping save valuable foreign exchange by reducing imports at a time the country is trying to conserve foreign currency, and has the potential to help Sri Lanka conserve even more foreign exchange in the years ahead."



Dr. Fernando conceded that the local palm oil industry would not be in a position to supply all of Sri Lanka's palm oil requirements for several years, but emphasised that allowing the industry to proceed with investments in the pipeline would enable a foundation to be laid for substantial import substitution in the medium term.

The palm oil industry currently employs about 13,000 people in cultivation, refining and production. The plantation companies had implemented all health and safety measures recommended for workers in oil palm plantations and ensured that the estates resumed work within days of the declaration of a countrywide curfew in March this year, conscious of the importance of keeping production going, Dr. Fernando disclosed.

He added: "It is absurd that activists and lobbyists with vested interests who have been campaigning against oil palm on the basis of events that took place decades ago in some other parts of the world, ignore the fact that it has taken 50 years for Sri Lanka to cultivate 9,000 hectares of oil palm, and that even after oil palm cultivation ultimately reaches the government-mandated 20,000 hectares, the crop would account for only 2.5% of the extent under tea, rubber and coconut."

"They also ignore the fact that the government decision to encourage cultivation of oil palm is backed by comprehensive conditions and guidelines that ensure there will be no environmental degradation, no deforestation and no replacement of other viable crops," Dr. Fernando said.



Is This the Beginning, or the End for Palm Oil in China?

At the start of 2020, positive fundamentals shaped the palm oil market. Global demand for the oil was on the upswing, with consumption increasing at more than twice the rate of production.

Consumption of palm oil was estimated to exceed production by 3.2 million metric tons in 2019/20, and any gap had to be filled by drawing down on existing stocks, leading to the lowest stock levels of palm oil since 2009/10. But the situation has changed quickly since then.

A Versatile Oil

The recent popularity of palm oil is unsurprising given its high versatility, with its uses ranging from cooking oil and food additives to biofuel and animal feed. In this respect, it is similar to other edible oils, such as soybean oil and canola oil.

But palm oils' advantages are not limited to its versatility. It is also highly efficient, producing a yield that is nearly five times greater than the other seed oils. For example, palm produces 3.3 metric tons of oil per hectare, compared with just 0.4 metric tons per hectare for soy, and 0.7 metric tons per hectare for rapeseed and sunflower.

The production of palm oil is highly concentrated, with Indonesia the world's largest producer of the oil by some margin at 42.5 million metric tons in 2019/20. Malaysia came in second at 19 million metric tons, with the three next biggest producers, Thailand, Colombia and Nigeria, producing only 5.7 million metric tons combined.

India is the world's largest importer of palm oil, importing an estimated 9.75 million metric tons in 2019/2020. It is followed by the European Union and China, with the latter importing 7.3 million metric tons of the oil in 2019/20, enough to meet the country's entire demand.

Palm Oil Prices

While palm oil prices had been on a steady upward trajectory for most of 2019, the sudden outbreak of the coronavirus put an immediate end to the rise. Since then, prices have taken a tumble due to the associated collapse in demand.

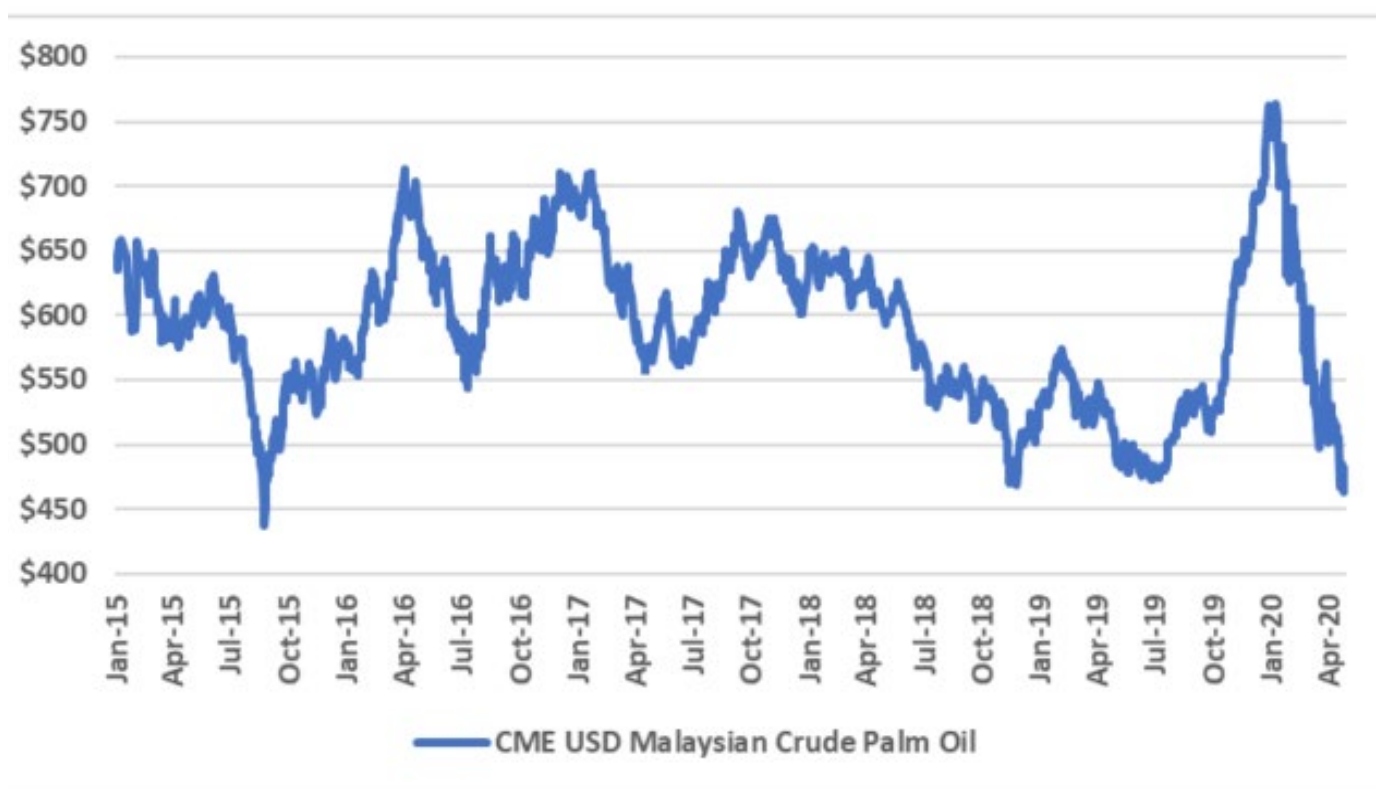
Where prices go from here will likely depend on a number of factors, such as the speed at which global economic activity rebounds, how severely palm oil production in Indonesia and Malaysia has been impacted by social distancing measures, the weather in key growing areas and the coronavirus-related aid measures introduced by governments to support growers and users.

Bursa Malaysia Derivatives and Dalian Commodity Exchange act as the global price benchmarks for palm oil, with their futures contracts denominated in Malaysian ringgit and renminbi respectively. Likewise, CME Group's contracts are the standard for U.S. dollar-denominated palm oil.

China and Palm Oil

In China, demand for palm oil is primarily driven by its use as a cooking oil, as a major ingredient in instant noodles and in the production of cosmetics.

Given its importance in food usage, China has in recent years made forays into going upstream in order to secure its supply of palm oil. For example, Julong Group has developed 50,000 acres of palm plantations in Indonesia. Meanwhile, the Chinese Academy of Tropical Agricultural Sciences is trailing growing oil-producing palm trees in Hainan. It remains to be seen if demand for palm oil in China can continue at its current level, with demand not only sensitive to the well-publicized negative impacts of coronavirus, but also affected by other, less obvious risks.



Clouds on the Horizon...

More efficient, large-scale pig farming practices are expected to drive higher demand for soy meal, which is used as animal feed, creating a surplus of soybean oil, a by-product of soy meal production. As palm oil can be easily substitutable by soybean oil, this surplus could in turn reduce demand for palm oil imports. China's soy imports from the United States have increased since the two countries agreed on a Phase One trade deal, which saw tariffs on some shipments of U.S. soybeans waived.

Another threat comes in the form of altered consumer behavior. If consumers trend toward other forms of oil that are more available or perceived to be more sustainable, the situation could be harmful to palm oil production. Producers will need to manage this risk as the market evolves.

... Or Sunshine after the Rain?

On the other hand, it is not all doom and gloom for palm oil, with a number of factors in play that could boost Chinese demand for the oil. Foremost of these factors is the U.S.-China trade deal. The deal has seen China commit to buy \$40 billion worth of U.S. farm goods, and this could play into palm oil's favor.

Given the sharp decline in the pig population in China due to African swine fever, the country looks set to import more U.S. pork. Such an outcome would boost demand for palm oil,

as soybean oil production would decline in line with reduced demand for soy meal in animal feed. If U.S. pork production and shipping is not too severely impacted by the coronavirus, the situation could lead to a higher demand for palm oil than ever before.

Another more obvious positive factor is the price. Palm oil generally trades at a significant discount to soybean oil. If the price gap between palm oil and other edible oils widens, demand will not only be sustained but will continue to increase in China.

Looking Ahead

China's investments in overseas palm plantations and meat companies, such as the purchase of Smithfield Foods by Shuanghui International Holdings, now known as WH Group, may offer a glimpse into the country's future plans to achieve domestic food security through acquisitions abroad.

On the other hand, China's Minister of Agriculture and Rural Affairs Han Changfu recently said boosting the country's pork production was a key priority, indicating the government does not want to rely on imports. Either way, China's agricultural or food security policies are likely to have a significant impact on the demand for palm oil going forward. Whether that demand rises or falls will depend on which route China takes.

Nepal's Palm Oil Exports Could Suffer as India Suspends Import Licences

Shipments in the first eight months of the current fiscal year were valued at Rs 15.35 billion.



Nepal's lucrative palm oil exports to India could hit a setback as the southern neighbour has suspended all import licences besides imposing stringent trade measures in a bid to check cheap imports and protect domestic industry, Indian media reports said.

"The Directorate General of Foreign Trade of India has issued 39 licences to different firms. The Department of Commerce has reviewed its decision and has decided to suspend all these licences," the directorate said in an office memorandum according to reports.

The new trade policy that came through the Trade Notice issued on April 13 said that applications for import authorisation should be accompanied by a pre-purchase agreement and details of the import of refined palm oil items for the past three years.

The validity period of import licences for refined palm oil has been slashed to six months from the usual 18 months.

Applicants who do not utilise the import authorisation will be disqualified from getting any further licences for these items in the future, and Indian customs will be required to diligently enforce the 'rules of origin' criteria for the import of these items originating from Nepal and Bangladesh.

Rules of origin determine where goods originate, that is not where they have been shipped from, but where they have been produced or manufactured.

The South Asian Free Trade Area agreement, to which Nepal is a party, stipulates that goods with preferential origin are eligible to be imported and re-exported with lower duty rates or at zero rates if the requirements are met.

For Nepali exports to India to be eligible for tariff exemptions under this treaty, imported goods need to have at least a 30 percent value addition. Nepali trade experts have been saying that Nepali traders do not meet the 30 percent value addition requirement.

Palm oil has become Nepal's top export product although the country does not produce a drop.

On January 8, India's Directorate General of Foreign Trade issued a notification saying the foreign trade policy had been amended from 'free' to 'restricted' for refined palm oil trade.

Under the new rules, firms are required to obtain an import licence from the directorate.

Navaraj Dhakal, joint secretary at the Ministry of Industry, Commerce and Supplies, told that they were not fully aware of the new arrangements. “But we are in consultation with our Indian counterpart.”

According to The Economic Times, the licences were suspended to check illegal cheap imports and to protect domestic industry.

The firms holding the licences were slated to import 455,301 tonnes of refined palm oils including 293,000 tonnes from Nepal only.

Many of the permits were issued to companies located in eastern India, especially in West Bengal and Bihar states, the report said. “The import of refined palm oils has been rising in the last few months, affecting domestic refiners and local jobs,” states the report.

Indian media quoted Mumbai-based Solvent Extractors Association of India Executive Director BV Mehta as saying that Indonesia and Malaysia were major suppliers of palm oils. But the shipments are routed through Nepal and Bangladesh illegally at nil import duty.

“The government has started enquiring if rules of origin of the product were flouted. It is a major revenue loss to the government if imports are allowed through such routes,” he said, adding that the Solvent Extractors Association had made several representations to the Commerce Ministry to check such imports.

A World Bank report attributes Nepal’s windfall in exports solely to increased demand for non-crude palm and soybean oil in India.

Tariff exemptions on Nepali exports to India under the South Asian Free Trade Area agreement gave domestic traders an advantage. Countries outside of South Asia are slapped with tariffs of 54 percent on palm oil and 45 percent on soybean oil.

According to the Nepal Development Update released by the World Bank in December, Nepal capitalised on this arbitrage opportunity and significantly increased exports of the two products. “However, it might not be a sustainable option in the long run,” the report said.

Subodh Kumar Gupta, president of the Association of Nepalese Rice, Oil and Pulses Industry, said that the inconsistent trade policy of the Indian government had been hurting Nepal. “Halting imports time and again has caused stress to Nepali businesses that have injected billions of rupees into the palm oil trade.”

Due to the good rate of return, some factories with huge investments have come into operation, said Gupta. “Now investments worth billions are at risk.”

According to him, the factories were in the process of producing or shipping huge amounts of processed palm oil to India, but were prevented from doing so due to the COVID-19 lockdown.

“These factories owe billions in bank loans.” He said that 90 percent of their output of processed palm oil was exported to India.

The Indian government should have given at least three months’ notice instead of imposing the decision immediately, he said. “The government has conducted negotiations time and again, and we hope that it will try to find a way as quickly as possible,” Gupta added.

According to a Nepal Rastra Bank report, the country exported refined palm oil valued at Rs15.35 billion in the first eight months of the current fiscal year, a 244 percent jump year-on-year.

During the same period, Nepal imported crude palm oil worth Rs14.29 billion, up 133 percent year-on-year.





Oil Palm Smallholders Suffer from Falling Prices, Pandemic Restrictions

Oil palm smallholders have suffered losses during the ongoing health crisis from the falling price of fresh fruit bunches (FFB) and pandemic-related restrictions, a farmers' union has said.

During the pandemic, the price of FFB, a key component in the production of crude palm oil (CPO), fell to less than Rp 1,000 (0.71 US cents) per kilogram for independent farmers, according to Mansuetus Darto, the secretary general of the Palm Oil Farmers Union (SPKS).

Farmers who have partnered with palm oil companies have seen FFB prices between Rp 1,200 and Rp 1,300 per kilogram, Mansuetus added.

"A price below Rp 1,100 per kg is very difficult for farmers with more than two children, kids pursuing higher education or those with dependents to feed," Darto said.

As 70 percent of CPO production is exported, the trade-reliant palm oil industry is taking an especially hard hit from the COVID-19 pandemic, which has brought international trade to a temporary halt.

The same restrictions that have impeded manufacturing have also affected farmers, as they are unable to sell their FFB but must still pay for fertilizer and the services of middlemen.

"Since many independent farmers do not have the means to ship their products to factories, they rely on middlemen to provide this service. But the restriction of activity and mobility related to COVID-19 affects them and their source of income largely because they cannot deliver their fresh fruit bunches to

buyers," said Rukaiyah Rafik, a senior adviser at the Indonesian Sustainable Palm Oil Farmers Forum (Fortasbi).

PT Astra Agro Lestari, a subsidiary of conglomerate PT Astra International, reported earlier this month that its FFB production fell by 8.5 percent year-on-year (yoy) to 1.1 million tons in the first quarter of the year and CPO production fell by 14.6 percent yoy to 354 tons in the same period.

Of the ten largest palm-oil producing provinces in the country, only West Sumatera has officially imposed province-wide large-scale social restrictions (PSBB), although this region only accounts for 1.7 percent of the nation's confirmed COVID-19 cases.

Only about 30 percent of palm oil farmers have alternative sources of income, a 2018 SPKS survey shows.

About 6,000 farmers from 26 farming groups still managed to book sales of palm oil with sustainable certificates during the pandemic, said Guntur Cahyo Prabowo, manager of smallholder programs at the Jakarta branch of the non-profit Roundtable on Sustainable Palm Oil (RSPO).

Through its RSPO Credit scheme, the organization has disbursed \$1.5 million to 30 RSPO-certified independent smallholder groups from the sale of certified palm oil between May 2019 and May 2020.

"As RSPO-certified farmers, our members received support of staple food and fertilizer," said Zainanto Hari Widodo, a representative of the Indonesian Palm Oil Farmers Association.



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Palm Oil: Local Consumption Down, Export Picks up During Pandemic



Freshly harvested palm oil fruits at a plantation in Batang Toru, North Sumatra. (JG Photo/Nur Yasmin)

The Indonesian Palm Oil Association, or Gapki, has reported higher export of palm oil but lower domestic consumption of the commodity during the coronavirus pandemic.

Domestic consumption in March decreased by 3.2 percent – from 786,000 tons in February to 721,000 tons in March.

During the same period, local food consumption also fell by 8.3 percent, while sales of palm oil for oleochemical products rose by 14.5 percent.

“Palm oil consumption fell as food consumption fell. People are uncertain when the pandemic will be over. Meanwhile, hand sanitizer producers need more palm oil to ramp up production,” Gapki director Mukti Sardjono said in a press release.

He said out of 68,000 tons of palm oil sold to the oleochemical industry, 55 percent was for hand sanitizers.

Palm oil export rose by 3.3 percent or 185,000 tons from 2.53 million tons in February to 2.72 million tons in March.

Meanwhile, CPO export rose by 113,000 tons from 524,000 tons in February.

Bangladesh, South Africa and the third-largest global palm oil consumer, China, were responsible for the highest export surges in the period.

“The export surge to China started happening once they managed to get a handle on COVID-19,” Mukti said.

Meanwhile, exports to Pakistan and the United States – the current global pandemic epicentre – had gone down. Exports to Europe, the Middle East and India were normal.

However, India had recently adopted import restrictions on refined palm oil products, which might put pressure on the industry later down the line.

The price of crude palm oil (CPO) also dropped from \$722 per ton in February to \$636 per ton in March, mainly thanks to lower food consumption as restaurants close up shops during the pandemic.

Malaysian palm oil producers told Reuters that the outlook for the industry this year is grim as a full recovery is not expected to happen until the last quarter next year.

They said countries shifting to biodiesel might help to slow stock build-up.

Indonesia began mandatory use of B30 – diesel fuel made up of 30 percent biofuel from palm oil – last month and is already preparing to use the upgraded version, B40, starting in July 2021.

Mukti said palm oil production is still running normally despite the pandemic, but physical distancing is in place at factories.

“We have to improve productivity and efficiency to keep the industry viable,” he said.

Dry season in most parts of Indonesia will start in May and peak in August, and drought is expected in several places.

“People say it’s not going to be as bad as last year’s drought, but forest fires could still happen. Gapki has issued a forest fire prevention protocol to protect the plantations,” Mukti said.

Palm Oil: Vast Potential for Import Substitution

A well-established palm oil industry in the country while having a vast potential for import substitution could also be used for export development, Wayamba University Emeritus Professor Asoka Nugawela told Sunday Observer Business.

He said as per the current oils and fats needs and production of the country, the government has the potential to save up to Rs. 31 billion in foreign exchange annually.

“In 2018, Sri Lanka’s annual oils and fats imports stood at over 250,000 metric tons. In the same year, the country produced only around 23,000 mt of coconut oil and 18,000 MT of palm oil. National production was a mere 16% of the total oils and fats needs of the country,” Prof. Nugawela said, adding that this scenario compelled Sri Lanka to spend over Rs. 31 billion in foreign exchange to import and bridge the gap of its oils and fats needs in 2018.

According to Prof. Nugawela, a significant proportion of this expenditure, i.e. Rs. 24 billion had been to import 220,000 mt of palm oil.

He said the country has the capacity to produce palm oil as an import substitution strategy and overcome this unaffordable draining of valuable foreign exchange which the government is desperately trying to prevent.

“Since oil palm is an economically viable crop to the grower, it could also strengthen the continuously weakening plantation economy giving the financial capability to enhance worker wages and improve plantation infrastructure,” Prof. Nugawela said, adding that countries such as Indonesia and Malaysia have widely used this crop in their poverty alleviation programs by introducing this crop to smallholders through projects funded by the World Bank.

Though the potential benefits from a palm oil industry is enormous towards the economic growth of a country, its



Wayamba University Emeritus Professor Asoka Nugawela

development in Sri Lanka is hindered due to multiple reasons. The perception of a few that oil palm plantations impact the environment negatively is one major reason.

Unfortunately, what they do not understand is that it is a criticism aimed at countries planting oil palm after felling virgin forests elsewhere in the globe.

Palm Oil-Based Biodiesel to Face Pressure at Home and Abroad

Demand and production of palm oil-based biodiesel is expected to remain under pressure at home and abroad owing to the COVID-19 pandemic and its wide disruption of economic activities and global trade.

S&P Global Platts Agriculture Analytics Business Analyst Loren Puette noted Malaysia's implementation of a Movement Control Order (MCO) will likely lead to a decline in biodiesel production in the country – an effect likely to also unfold in Thailand which has also imposed a quarantine and social distancing measures.

On the other hand, Indonesia's production of palm oil-derived biodiesel is expected to remain above 2019 levels for now, buoyed by the country's B30 biodiesel programme. Puette said at the Asia Biofuel and Diesel Market - Impact of COVID-19 webinar.

Malaysia's biodiesel blending rate is expected to stagnate this year at 9.6%, before rising to 20% in 2024. Consumption of biofuel this year is forecast at 15 million barrels a day (mbd), and reaching 35 mbd by 2024. "However, [the rise in biofuel blending and consumption] depends out how this pandemic plays out on the economy," said Puette.

Another issue is the government's postponement of the implementation of a B20 biodiesel mandate until further notice, which could extend beyond the third quarter of the year. At the same time, biodiesel demand in the country is expected to fall in tandem with all other types of fuels, as economic activities grind to a halt because of lockdowns imposed by governments across the globe.

"Overall fuel demand to decline, while biodiesel consumption and blending rates are mixed depending on mandates," he said.

A key determinant of palm oil-derived biofuels is the price of crude palm (CPO) which is affected by supply and demand.

Refinitiv Agriculture Senior Analyst Dr Tan Kian Pang pointed out that palm oil has been hit by a confluence of factors such as weak imports from key palm oil-consuming countries such as China, India and EU countries, and weak consumption due to the impact of COVID-19 on the hotel, restaurant and catering (HORECA) industries.



"Weak diesel usage and crude oil supply glut have resulted in crude oil prices falling more than 50%, hurting Indonesia's B30 and Malaysia's B20 mandates," he remarked.

Tan highlighted that a prolonged lack of rain, haze, lower fertiliser usage, flooding and movement restrictions are also taking their toll on palm oil production in Malaysia and Indonesia.

Between October 2019 to March 2020 total production in Malaysia declined by 19% year-on-year from the same period a year prior. Indonesia's decline was smaller at 4% y-o-y.

Tan expects the COVID-19 pandemic, crude oil supply glut and global economic downturn to continue to exert pressure on palm oil. These unfavourable conditions aside, he also pointed to trade tensions between the US and China, India's palm oil import restrictions, the EU's biodiesel import restrictions and 3-MCPD (3-monochloropropane diol) & GE (glycidyl esters) food safety regulations.

But there are some bright spots. Given palm oil stocks in key consuming countries are tight, restocking could potentially take place once lockdowns are lifted.

Additionally, dry weather conditions in Malaysia during 1Q2020 could have a delayed impact on fresh fruit bunch (FFB) production and oil yield. This could reduce palm oil production and supply in six months to a year, and potentially lead to higher CPO prices.

Tan also highlighted that the cost of fertilisers and logistics services would be lower due to the current weakness in crude oil prices, making it cheaper for palm oil companies to conduct crop fertilising activities and to transport their products.

Only Palm Oil Can Help India Achieve Self-Sufficiency in Edible Oil



If India wants to produce as much edible oil as it is consuming through its traditionally-grown oilseeds, the country may need at least 30 million hectares of area for cultivating them and this is next impossible, said noted agricultural economist Ashok Gulati.

India currently meets 65 per cent of its edible oil needs through imports. Of India's total edible oil imports, 75 per cent is palm oil. "Palm is the only tree that can give 4 tonnes oil per hectare. In comparison, other edible oil complexes do not give even 400 kg of oil per hectare," said Gulati, Infosys Chair Professor at the Indian Council for Research on International Economic Relations (ICRIER) in New Delhi.

Among major traditional oilseed crops grown in India are soybean, groundnut, mustard and rapeseed and sesame. While the requirement for edible oil in India is more than 25 million tonnes annually, its production hovers around 10 million tonnes a year.

While India has 2 million hectares of area where palm can be grown, the total area under palm cultivation is around 50,000 hectares, Gulati said while participating in a webinar on the impact of COVID-19 on India's agricultural economy organised by National Stock Exchange.

The problem with oil palm cultivation is that it needs long term commitment and long term investment. First six years, there would no returns on investment. Then up to 25 years, it starts giving yield, he said.

If that to happen, Indian corporates should get into growing oil palm as it is partly done in Indonesia. There both corporates and farmers are into palm cultivation. However, there is another problem. In India, oil palm is treated as horticulture crop, not as a plantation crop. If it is treated as plantation crop, it may attract corporate investment, said Prof. Gulati adding that he had submitted a plan involving ₹10,000 crore to the government some years ago on promoting palm cultivation.

Simon Wiebusch, Chief Operating Officer, Bayer Crop Science, who also participated in the webinar said, said there could be other ways to reduce the imports of edible oils, which include developing higher-yielding varieties of oilseeds, particularly of crops such as soybean. Monsanto, which Bayer acquired about two years ago, has been able to develop soybean varieties with higher yields through genetic engineering, even though Wiebusch didn't spell this out.

Speaking at the webinar, D K Joshi, Chief Economist at CRISIL, said agriculture, which contributes around 15 per cent of GDP, does not have sufficient capacity to lift the country out of recession which COVID-19 situation has pushed it into, but it can provide a lot of relief as major Indian population still depend on it.

Tax Exemption Augurs Well for Palm Oil Industry

COVID-19 hit oil palm smallholders and companies can heave a sigh of relief over a tax exemption provided under the National Economic Recovery Plan (Penjana) that was aimed at managing the country's stock level and stabilise the crude palm oil (CPO) price. The government announced a 100 per cent exemption on export duty on crude palm oil, crude palm kernel oil and processed palm kernel oil from July 1, 2020 to Dec 31, 2020,

Commenting on the initiative, the Malaysian Palm Oil Board (MPOB) said the tax exemption will encourage industry players to sell more palm oil and help them earn more income while solving their problems, including the additional costs incurred during these difficult times.

"We could promote more exports, especially to the top vegetable oil consumers, including India, China and Pakistan," its director-general, Dr Ahmad Parveez Ghulam Kadir told Bernama.

The announcement also bodes well with India's decision to import 1.14 million tonnes of vegetable oil in June from the April-May monthly average of 865,000 million tonnes.

Indian Vegetable Oils Producers Association (IVPA) president Sudhakar Desai was recently reported as saying that with the easing of lockdown, the average vegetable oil import was expected to rise to about 1.3 million-1.4 million tonnes per month from July until September, he said in a statement issued in conjunction with an IVPA-hosted global webinar on May 29.

Ahmad Parveez said Indian importers had signed contracts with Malaysian suppliers for June/July delivery of 200,000 tonnes of CPO.

"The renewed purchases by India was spurred by low domestic vegetable oil stocks in the country arising from the lockdown measures implemented since March 24, 2020 which has affected the movement of goods.

"The easing of the lockdown measures has enabled the Indian importers to resume stocking up the commodity. We hope that India will again emerge as a valued customer for the Malaysian palm oil," he said.

The MPOB, he noted, is looking forward to better export figures to India in the second half of 2020 as it comes out of the COVID -19 pandemic as businesses have started operating within the new norms. MPOB chairman Datuk Ahmad Jazlan Yaakub said the government's announcement would definitely

help the industry boost the export value of Malaysian palm oil, especially to India as the Indian government has not extended the import restrictions on refined palm oil.

"The MPOB is always committed in its efforts to ensure the palm oil industry continues to thrive and is competitive. We have always put the interests of our smallholders, industry and country first in our operations," he said.

Ahmad Parveez noted that if all is well, the country's stock level would not be hitting the three million tonnes mark by year-end as predicted by plantation experts (from expectations of 2.28 million tonnes in May) and CPO average price in 2020 could stay at RM2,500 per tonne.

The good weather conditions this year is expected to bolster good production for edible oils worldwide, hence, providing a stiff competition to CPO. While its close competitor, Indonesia, is increasing its import duty by \$5 to \$55, Malaysia could stand a chance to entice more palm oil buyers with its cheaper price.

"This (tax exemption) is a nice package and timely and it will benefit the whole industry," Ahmad Parveez said.

However, he said rest assured, the commodity will still be sufficient for local consumption. Singapore-based Palm Oil Analytics owner and co-founder Dr Sathia Varqa expects Malaysia to see higher exports of CPO to India and Pakistan.

"CPO futures received a boost after the (Penjana's) announcement. Malaysia can expect higher CPO exports to countries like India and Pakistan and its CPO export prices will have a competitive advantage over Indonesia," he said.

However, he cautioned that the strengthening ringgit against the US dollar may cut the competitive advantage.

Commenting on the India's plan to promote domestic cultivation of palm oil due to its high yield of four tonnes per hectare, Sathia said India's palm production is negligible.

"It is 70 per cent dependent on edible oil imports with palm making up the largest chunk followed by soybean oil," he said.

Last year, Malaysia exported 18.46 million tonnes of palm oil compared with 16.48 million tonnes in 2018. The top three buyers were India which took 4.4 million tonnes (2018: 2.51 million tonnes), China (2.49 million tonnes; 2018:1.85 million tonnes) and Pakistan (1.08 million tonnes; 2018:1.16 million tonnes).



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Malaysia Farms Face US\$3 Billion Hit from Palm Oil Worker Shortage

The COVID-19 (coronavirus) pandemic has left Malaysia's palm oil industry without enough workers, a shortage that could cost farmers as much as 25% of their annual production -- a loss worth about US\$2.8 billion.

Malaysia's economy relies on palm oil, its most important agricultural commodity, but palm oil needs migrant workers from Indonesia, Bangladesh and India to do jobs locals won't.

As countries in South-East Asia struggle to get the COVID-19 outbreak under control, governments have tightened restrictions on travel for workers both coming and going.

"In the past, when people left, people also came," said Nageeb Wahab, chief executive at the Malaysian Palm Oil Association, a growers' group that represents 40% of palm plantations by area. "Now, the coming is nil, and the leaving may be more after Malaysia's movement control order."

Though environmental activists have pushed to rein in the palm industry for years, the labor shortage there signals the disruption unfolding at companies and farms around the world that depend on migrant workers. More than 70% of the country's plantation workers come from outside Malaysia's borders, according to an estimate by Rabobank; the country produces about 26% of the world's most common cooking oil.

Production was already expected to drop by as much as 10% due to last year's dry weather and less aggressive fertilization. Now the labor shortage suggests the shortfall could more than double, Nageeb said, and growers are beginning to fidget.

In April, top producer United Plantations Bhd. warned investors of a potential threat to production in the second half of 2020 "as the present lockdown policy and restrictions on travel in many South East Asian countries will prevent guest workers from Indonesia, Bangladesh or India from seeking job opportunities in the Malaysian plantation industry."

"We are indeed caught between a rock and a hard place as the first priority is of course to strictly adhere to the governments directives to keep Malaysia safe and COVID-19-free," Chief Executive Director Carl Bek-Nielsen said by email. That would mean the recruitment process to hire guest workers probably can't resume for the rest of the year, which would "aggravate and exacerbate an already perilous situation for many plantation companies."

Labor Squeeze

Labor shortages have plagued growers for years, though never this acutely. Malaysia's plantations are now competing with higher wages offered by the growing industry in Indonesia, the world's biggest producer, and while benefits and employment practices vary, the industry has a reputation for exploitation and abuse.



Automation has offered little relief. Palm fruit is fragile, growing in bunches that can weigh as much as 100 pounds, 60 feet off the ground. Most of it is still harvested by hand. Compared with soy or rapeseed, harvesting palm fruit requires 25 times more workers.

The sudden and rapid outbreak of the coronavirus has turned long-term challenges into short-term ones, said Aurelia Britsch, head of commodities at Fitch Solutions. "The sector is currently recording labor shortages, as ongoing lockdown measures mean palm oil estates are generally unable to recruit new foreign workers at a time when some employees have been repatriated to their origin countries due to the pandemic."

In better times, the farmers might have raised wages to attract more workers. Not now, with global economies in free-fall and commodities prices growing more volatile. Even with a shortage of labor and, potentially, supply, the tropical oil on course for its biggest annual drop since 2012.



"The reality is stark," United's Bek-Nielsen said. "Growers are fearing that field losses will creep up from August-September towards the end of the year in tune with more and more guest workers returning home on leave. It is sadly a one-way traffic for the rest of 2020."

Stopping production is an option for rubber and other crops, a way to use less labor and eat into stockpiles, forcing prices to rise. Palm isn't that flexible.

"It's not as simple as stopping production to let prices go up," said Nageeb. "The moment you stop your production for two weeks, to bring it back to normal will take two months."

Without enough workers to harvest the crop in a timely way, palm fruit will rot. The fruit that is harvested also has to be sent quickly to crushing mills or it'll start to oxidize, increasing acidity levels and reducing oil quality. Manual labor's also required to keep trees pruned and healthy for future seasons.

Migrant Exodus

For migrant workers, the virus outbreak and the lockdowns that followed have been gruelling. Those who left may not be able to return, losing a steady, if modest, source of income. Those that stayed faced other problems, said Glorene Das, executive director of Tenaganita, a Malaysian NGO that promotes rights of migrant workers and refugees.

The government requires employers to provide workers with adequate social distance and protective gear, as well as routinely disinfected work environments. That applies to plantation operators too, but "the remoteness of these locations and the lack of labor inspectors contribute to difficulty in enforcement," according to the International Labour Organization. During the

lockdown, some plantation workers struggled to get enough food and other basic supplies.

Documented and undocumented Indonesian workers are the biggest contingent among Malaysia's immigrant palm laborers. When the country imposed its nationwide lockdown, many workers on short-stay visas returned to Indonesia, said Zana Amir, program officer at Migrant Care, a Jakarta-headquartered group. "They feared having no income in Malaysia, as the government conducted raids on illegal workers," Zana said.

The labor shortages are likely to worsen, analysts predict, as governments try to combat the coronavirus-induced recession and rising unemployment. "In Malaysia, this is likely to lead to stricter immigration regulations," said Fitch's Britsch. "Given plantations' large reliance on foreign labor, these regulations will aggravate further the rising labor challenges palm oil companies have been facing in recent years."

When and if Malaysia eases restrictions on travel or work visas, workers may not return en masse, said Oscar Tjakra, Singapore-based analyst at Rabobank.

"It will take some time for migrant workers who had left the country to travel back to Malaysia," he said. "These migrant workers will monitor the coronavirus outbreak situation and economic situation in Malaysia before deciding to come back."

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Biodiesel Demand in the EU to Remain Stable, Says Lipidos Santiga



Palm oil-derived biodiesel demand in the European Union (EU) is expected to remain stable this year, says a leading European vegetable oils firm.

Lipidos Santiga SA (Lipsa) said that on the whole, diesel usage in the EU has declined following the lockdowns instituted to halt the spread of COVID-19.

“The biodiesel sector can be happy that all trucks and public buses run on diesel because they helped maintain the usage of diesel during the lockdowns,” said Lipsa sales director José Angel Olivero Garcia.

“The collapse in gasoline and jet fuel has been much bigger,” added Garcia in a webinar organised by the Malaysia Palm Oil Council (MPOC).

He said the EU’s total diesel consumption in 2019 was 200 million tonnes. In terms of biodiesel, total usage was estimated at 17 million to 18 million tonnes, translating into an energy content of 8.4% of total diesel production.

Domestic production of biodiesel stood at 15 million tonnes, while net biodiesel imports totalled 2.5 million tonnes.

Garcia noted that Spain saw a 60% decline in diesel consumption, while northern Europe, which uses more gasoline than diesel, was less affected – resulting in an estimated 35% to 50% reduction in diesel consumption.

As a result of the lockdowns and economic crisis in the EU, total diesel demand is expected to decline by 10% to 20% this year, he said.

“On the other hand, a positive is that biodiesel mandates are set to increase and the higher mandates will compensate the lower diesel use,” he added.

Meanwhile, in the food sector, Garcia noted that the lack of tourism in the region will hurt palm oil consumption.

“Many hotels offered the all-included formula, so many tourists grabbed what they could at the buffet,” he added.

Furthermore, social distancing measures which lead to fewer celebrations and outings will also be a detrimental factor.

This is because a key component of cakes and pastries is margarine, which is made using palm oil, said Garcia.

On top of this, palm oil has a negative reputation in the region.

“Shortly, palm oil will be a minor oil in Europe. Not only because of its declining use in food, but also because of it being phased out of biodiesel. If that happens, the consumption of palm oil will come down,” he said.

Under the EU’s Renewable Energy Directive II, the usage of palm oil-derived biofuels in the bloc will be gradually phased out starting in 2023 until 2030, due to alleged environmental concerns.



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Guidelines on Sustainable Palm Oil Production



Dr Felicity (fourth right) in the field with oil palm plantation partners.

The Pongo Alliance, an alliance of oil palm growers, businesses and conservation practitioners, is developing guidelines for best management practices (BMP) to support sustainable palm oil production that includes safe spaces for wild orangutans outside of the protected areas.

With a vision to make resilient landscapes for wildlife and people a reality, the alliance uses an evidence-based approach, which found that some orangutans not only survived large-scale habitat loss in the 1980s and 1990s but adapted to a landscape of forest patches and oil palm plantation.

The Pongo Alliance Kinabatangan's Project Director, Dr Felicity Oram, said that measures can be put in place to support co-existence of the surviving wild orangutan population where only 10 per cent of the half-million-hectare land area is forest.

"We need to better understand the orangutan habitat needs in this altered landscape and work out how to facilitate human and orangutan co-existence in the long term.

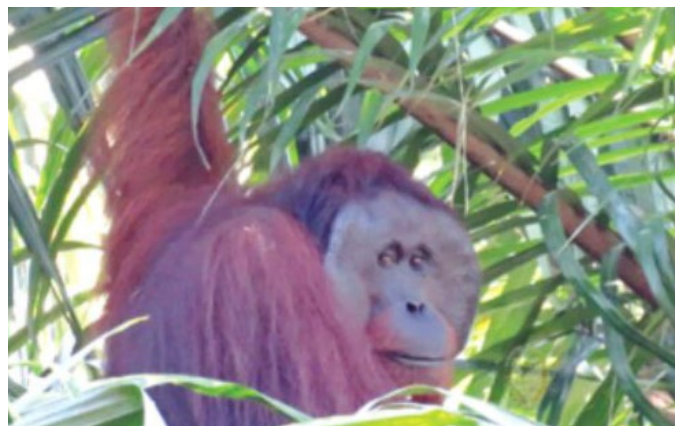
"In practice, this means leaving wild orangutans wherever they are in the landscape and developing better ways to support the adaptations these animals have made thus far," she said, in a statement.

Yayasan Sime Darby (YSD) has committed RM1.2million, under a two-year sponsorship agreement titled "Creation of a Human and Orangutan Coexistence Landscape in Kinabatangan", to enable the programme to conduct detailed information-gathering, engagement with various players, and develop best management practices.

The sponsorship is in line with YSD Environment pillar's focus area of protecting and preserving vulnerable and endangered

species, as well as the education and awareness focus area as it involves building awareness within oil palm plantation communities, environmental non-governmental organisations (NGOs), government agencies, and international communities.

YSD Chief Executive Officer, Dr Hajah Yatela Zainal Abidin, noted that research has shown that female orangutans live and raise their young in forest fragments surrounded by oil palms, while the males travel long distances through oil palm plantations between these patches.



A male orangutan was spotted on a tree by research staff of Pongo Alliance.

"This project aims to find out in more detail what is going on in Kinabatangan, to the level of individual orangutans.

"We hope that this effort will also assist growers and NGOs alike to view and manage oil palm forest landscapes in favour of human-orangutan coexistence; government agencies to develop a new policy on orangutan management; and the international community to understand that such coexistence is possible in mixed landscapes such as those comprising oil palm plantations and forests," she said.

Full partner companies involved in this paradigm shift that have holdings in the project engagement area include Sime Darby Plantation Berhad (SDP), which hosts the secretariat of Pongo Alliance; and Sabah based partner, Sawit Kinabalu, which has committed 3,757 hectares of its land area to conservation set-asides.

SDP Group Managing Director, Mohamad Helmy Othman Basha, said the initiative by Pongo Alliance aligns with SDP's ambition to achieve a deforestation-free palm oil industry and the company looks forward to implementing the BMP at its estates.

"We are cognisant of the need and importance of safeguarding the habitats of endangered species and not only will continue to work with like-minded organisations such as YSD and our partners in the Pongo Alliance but also encourage other plantation companies to come on board to achieve this goal," said Helmy.

Source: www.dailyexpress.com

He also noted that the project in collaboration with Pongo Alliance is a logical follow-up on of YSD's 10-year collaboration with Sabah Forestry Department on the 'Reforestation and Rehabilitation of Orangutan Habitat in Northern Ulu Segama (presently known as Bukit Piton Forest Reserve)' project.

He explained that the RM25 million project, in which SDP provided its technical expertise and assistance, improves the orangutan habitat by planting 1,448,822 trees within the previously highly degraded Forest Reserve and contributed economic benefits to the local community in the surrounding area.

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Sustainable Palm Oil: Making a Difference in Time of Uncertainty



Harvest time: A worker gathers oil palm fruit bunches at a plantation in Lampung. Indonesia and Malaysia, the first- and second-largest palm oil producers, have threatened to challenge the European Union via the World Trade Organization if the EU continues to phase out palm oil from transportation fuel. (The Jakarta Post/R. Berto Wedhatama)

As most of the country and the rest of the world are under some sort of lockdown, we're all facing disruptions and restrictions to our daily lives, not to mention the unprecedented changes that we will face as a society in the future.

We're already seeing economic disruption and job losses in the region and the near future looks bleak with Indonesia expecting up to 9 million people will fall into poverty and unemployment due to the pandemic. We don't know how long it will take for things to go back to the way they used to be but as we brace for the new normal and discover what that entails, we must not disregard the progress that we've made within the palm oil industry and press ahead with our goal to achieve sustainable palm oil.

Few industries in Indonesia have shown as strong growth as the palm oil industry in the past 20 years, contributing between 1.5 and 2.5 percent of the country's gross domestic product. The industry also employs 8.4 million people nationwide, from farmers and mill workers to service goods suppliers. With the pandemic expected to slow down the economy and cause key sectors like tourism, F&B and retail to lose billions of dollars, the Indonesian government is expected to rely heavily on agriculture and commodities like palm oil to rebuild the economy.

As the impact of COVID-19 continues to reverberate globally, we should take the time to consider how we can push forward with the important work of making the palm oil sector sustainable and resilient.

The Roundtable on Sustainable Palm Oil (RSPO) is a global multi-stakeholder organization for the certification of sustainable palm oil, and we are continuing the work to achieve our vision of making sustainable palm oil the norm, despite difficulties in carrying out certification and audits of plantations in the current circumstances. Pushing on with this work is critical to ensure that standards for sustainable palm oil are upheld – for smallholder farmers who depend on sustainable palm oil for their livelihood, as well as consumers who rely on our certification to make the right choices.

While we work toward navigating this new normal, there are some ways we can start to become a more educated consumer or a desktop-based (for now) sustainable palm oil “activist”.

- Get the basics right. If you're looking to learn about the issues of sustainable palm oil and the different efforts being done to achieve 100 percent certified sustainable palm oil in Indonesia and globally, I'd encourage you to check the World

Wildlife Fund's (WWF) sustainable agriculture page on palm oil. If you're looking to learn more about RSPO and some of the latest developments and certification processes, the RSPO Sustainability College is a good start.

- Acknowledge and support the members and companies who care. The reality is that there are companies that show initiative and there are companies that completely lag behind in efforts to commit to sustainable practices and hope it goes unnoticed. One great way to make use of your time is to reach out to your favorite brands and ask them to use certified sustainable palm oil. And one better, you could thank companies like P&G and Unilever for committing to the use of certified sustainable palm oil for their products. Many NGOs, like WWF for example, publish Scorecards that can help guide you to make educated purchasing decisions.
- Support national parks and conservation programs. Many people aren't aware that zoos help drive spending on conservation in palm oil-producing countries. For example, Oregon Zoo is working with HUTAN on programs in Sabah, Malaysia. In 2017, the RSPO signed an MoU with the World Aquarium and Zoo Association (WAZA) to further our shared goals and objectives in regard to the transformation of markets to make sustainable palm oil the norm. The Borneo Orangutan Survival Foundation in Indonesia works tirelessly to conserve orangutans and their habitat in Borneo. Every rupiah counts for these organizations. Perhaps now is the time to purchase that membership or make a donation.

- Keep up the pressure for climate action. Climate change is an issue that is not going away just because we have been staying indoors for the past few months. The damage we have done to our planet is lasting, and it is up to us to remind our elected officials that we should not lose ground in our fight against climate change and deforestation, keeping these issues front and center in policy discussions.

Palm oil can be sustainable, but we all have an important role to play to ensure that it becomes the norm. You can start by learning more about the problems, supporting brands that have pledged to become sustainable, or pressure your favorite brands into making a change.

Our hope for the future is that organizations like RSPO would no longer be needed because commodity producers will inherently do the right thing, governments will have the best possible laws in place to protect workers and companies will provide premium compensation to support smallholders.

The writer is the director Indonesia for Roundtable on Sustainable Palm Oil (RSPO), Tiur Rumondang.

The above comments and opinions in the article are the author's own and do not necessarily represent Asia Palm Oil Magazine's view.





MPOB Teams Up with Techbond for Palm-Based Polyol

The Malaysian Palm Oil Board (MPOB) and Techbond Greentech Sdn Bhd have signed a technology development collaboration for the production of palm-based polyol to be used as one of the components of polyurethane adhesives to replace formaldehyde-based adhesives.

The MPOB said it signed a memorandum of agreement with Techbond for the commercialisation of palm-based polyol technology in February, which involved two stages, namely research and development (R&D) to produce polyurethane adhesive formulations followed by commercialisation of technology.

“With the introduction of the polyol technology, Techbond Greentech will now produce sustainable palm oil-based polyol for the production of new industrial-grade polyurethane adhesives and, ultimately, commercialise the product,” it said in a statement.

MPOB chairman Datuk Ahmad Jazlan Yaakub said the joint venture (JV) between MPOB and Techbond is a win-win situation for the research and commercialisation of palm-based polyol products that could potentially be used in polyurethane adhesives.

“The involvement of the industry and local companies in the commercialisation of technology developed by the MPOB has accelerated the progress of the downstream sector of the palm oil industry for the production of value-added palm-based products that generate high income.

“The MPOB’s expertise in developing technology in the oil palm industry provides opportunities for local companies and small and medium enterprises (SMEs) to capitalise on the business opportunities available for commercialisation of technology,” he said.

Source: www.theedgemarkets.com



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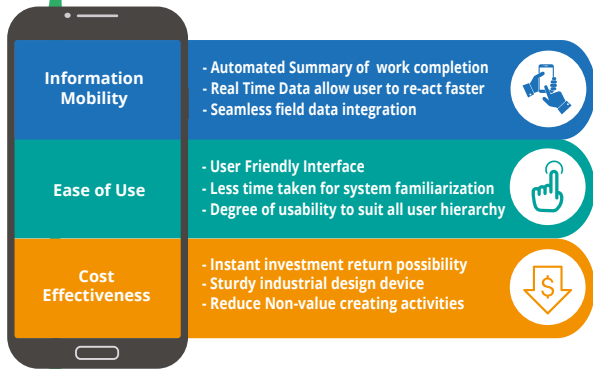
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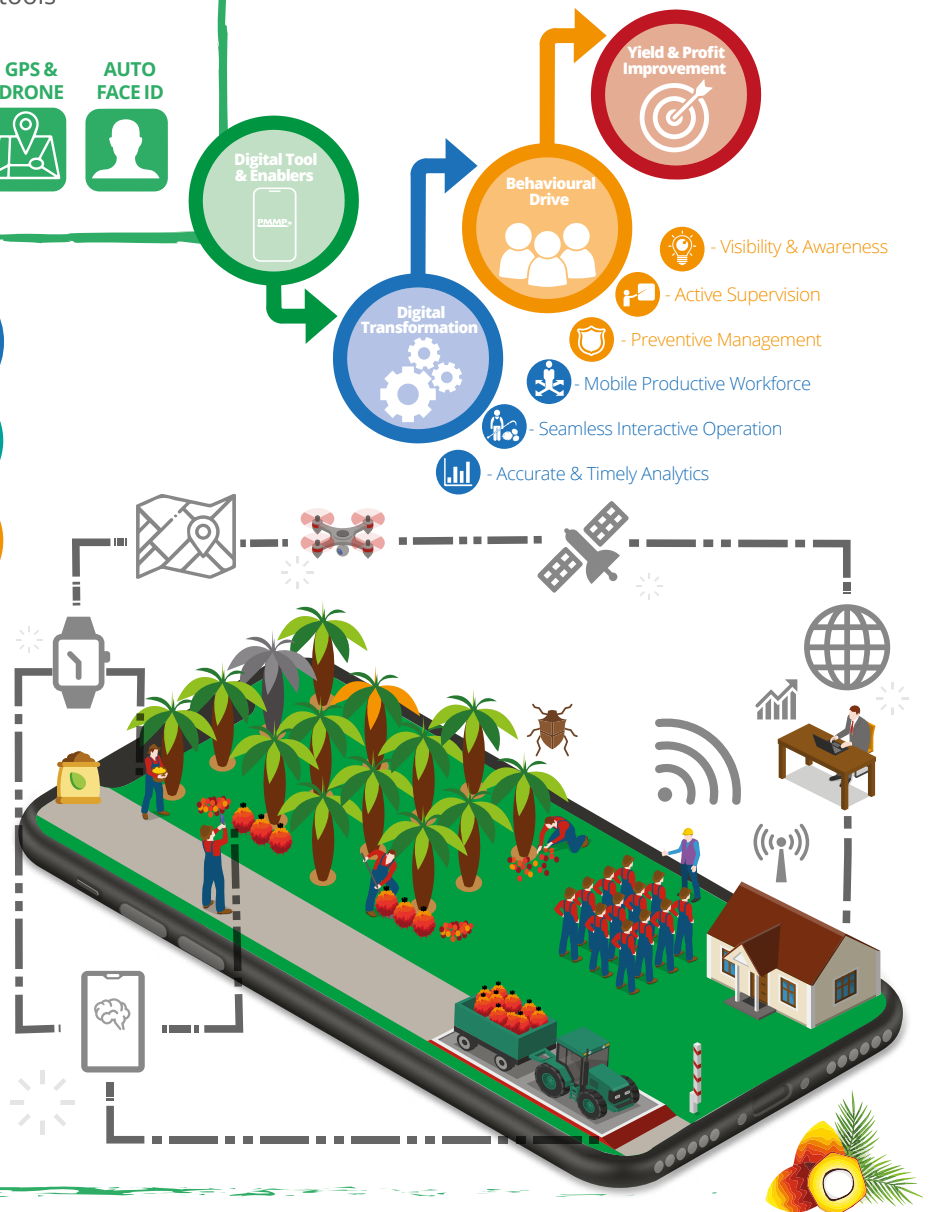
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For decades, palm oil businesses have intended to stand on the strong grounds and methodologies to care and drive the utmost success of their plantations. However, with the laborious tasks of harvesting, a key part of the success formula often receives very little attention... Maintenance.

The complexities of maintaining thousands of hectares at a time can prove to be a challenge, especially when the standard list of maintenance activities for quality yield involves resource demanding work such as,

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- Upkeep L/Site
- Upkeep Boundary
- Watchman
- Upkeep Culvert
- Upkeep Drain
- Upkeep Signboard
- Upkeep Ramp
- Ramp Attendant

Manuring

- Manuring
- EFB Mulching
- Loading Fertiliser

Nursery

- Filling Polybags
- Seed Germinate
- Upkeep Shade

Others

- Pruning
- Frond stacking
- Pegging

Weeding

- Woodies Spray
- Circle Spray
- VOP Spray
- Lalang Spray
- Manual Weeding
- Circle Racking
- Slashing & Poisoning Woodies
- Blanket Spray
- De-creeping LCC

P & D

- Trunk Injection
- P & D Spray
- Tirathaba Spray
- Termite Spray
- Upkeep Beneficial Plant
- Planting Beneficial Plant

Replanting

- Census
- Lining
- Planting Seedlings
- Straightening Palms
- Ablation

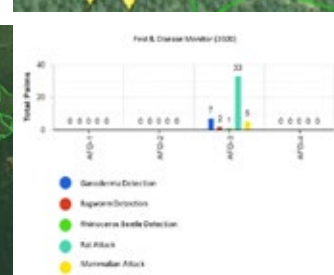
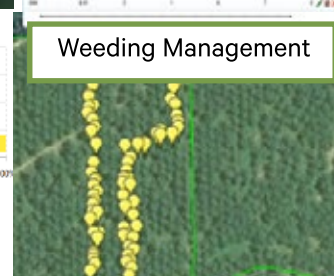
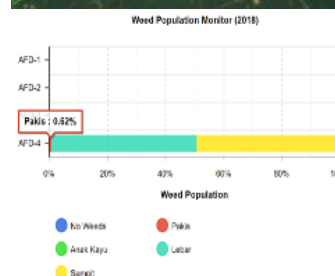
ABS understands that all the above exercises are time consuming and very difficult to document due to the copious amounts of paperwork and filing required to be up to date and on top of all of your tasks, whilst maintaining high yield and productivity in your operations.

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Today, over 1.5 Million hectares of plantation businesses are effectively managing the following maintenance activities with **PMMP*** Maintenance Modules.

A sample of some of the maintenance activities we have digitised:



AI Powered Maintenance Through Precision Agriculture

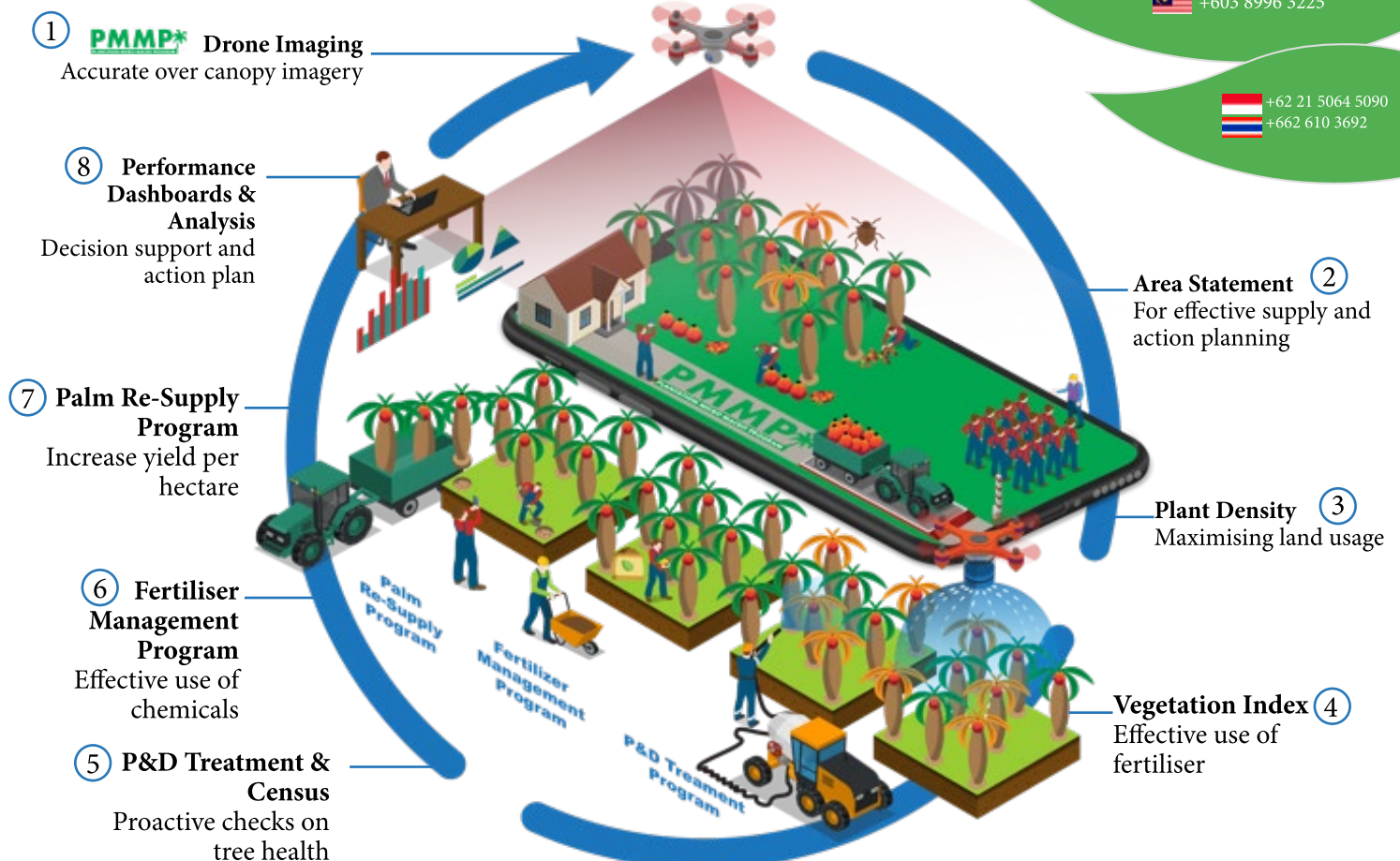
Nano Precision makes a big difference in yield, cost, and efficiencies for plantations, ABS's drone services embedded with AI-powered computer vision algorithms combined with the brain of **PMMP*** brings a new level of precision to oil palm plantation driving closed-loop preventative maintenance.

PMMP Decision support system leveraging Drone AI significantly simplifies the assessment and treatment activities in the field, with closed-loop monitoring to ensure the fields can be maintained timely and efficiently with reduced manpower, whilst providing considerable savings on the resources spent compared to the conventional census methods.

Using drone AI not only provides greater area coverage, higher density, and more accurate results, it also improves the data integrity enabling management to implement data driven actions, increasing labour productivity and minimising task completion time. With continuous time, labour and financial savings it is essential for all agri-businesses to venture into this sustainability practice using **PMMP*** drone DSS.

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Digitised Plantation

Digitised plantation inventory with roads, buildings, water sources, topography and plant density.



Digitised Terrace & Planting Point Model

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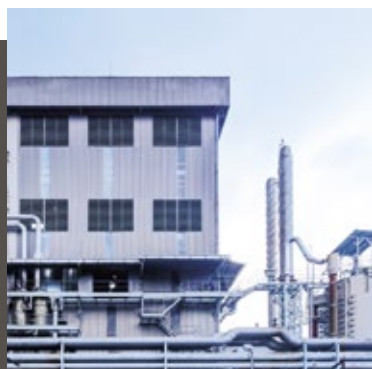
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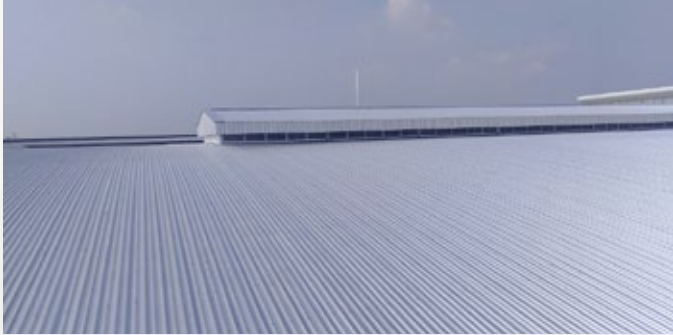


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What Architects Say About Aluminium Building Products?



Aluminium is a good reflector of visible light as well as heat.

Aluminium is a favoured material by many architects in tropical Malaysia. This versatile and sustainable material has been widely utilised in local design and architecture. Whether as part of functional roofing and cladding systems or used aesthetically in exterior or interior designs, aluminium is an emerging material of choice today.

When it comes to using aluminium as part of creative inspirations for the local market, architects believe that a key consideration lies in the local climate. “The local environment and climate are of prime importance in shaping up a design that suits best in that context,” says Dato’ Hew Hoi Lam JP, Principal of Akitek Supra. Indeed, Malaysia’s tropical climate often makes choosing durable and functional roofing materials challenging.

For architect Leslie Tan Aik Fong from Perunding HY Chung, the durability of roofing is something that every architect needs to consider. Hence, he feels that the installation technique as well as rust-proofing the roofing material is crucial. Apart from these considerations, aluminium’s high resistance towards chemical corrosion is a key advantage as a roofing material, according to Mr. Leslie.

To Dato’ Hew, the selection of roofing for buildings often depends on the building type and usage. “The roofs selected must be durable with minimal maintenance and architecturally pleasing to suit our design intention,” he says. As such, suitable roofing materials for local projects require careful considering of material durability, sustainability as well as versatility, and aluminium is one such material.

When our guest architects are asked their professional view on aluminium as a building material for local constructions and buildings, most concur on the popularity of the material. “Aluminium is widely used in building finishing components

for windows, doors and decorative enhancement elements in elevations,” Dato’ Hew reveals. In terms of roofing usage, his opinion is equally positive. “Acceptance of aluminium roofing is slowly gaining traction and with concerted marketing, it should be able to capture our designers’ attention.”

At the same time, Mr. Ho Kiat Yee, Associate Partner of Perunding Jurutera JH, thinks that using aluminium in roofing is an innovative idea that is in line with Green Building Systems. “Its weight is lighter than that of other materials and is easy to handle,” says Mr. Ho.



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Corrosion Resistance and High Durability

Aluminium, with its outstanding eco-friendly characteristics of light-weight durability, everlasting strength, high heat reflectivity, and low thermal emissivity, makes it the ideal material for roofing sheets.

Besides, our expert panel has had previous positive experiences utilising aluminium as a façade and/or roofing material in their respective projects. Mr. Leslie Tan made use of this material in a chemical factory project due to its corrosion-resistant properties. “Aluminium is resistant to certain chemicals and very durable against weather,” says Mr. Leslie.

On the other hand, Mr. Ho has previously used aluminium to clad an entire car porch. “Aluminium is chosen for its aesthetic appeal as well as its durability and quality,” says Mr. Ho.

Dato’ Hew tells us that certain of his office and industrial showroom projects utilised aluminium composite panels. Specific to roofing usage, his firm has also completed buildings, including warehouses and schools, using corrugated aluminium roofing sheets, he says.



Aluminium is 100 percent recyclable with no downgrading of its qualities.

Sustainability

Sustainability is a current buzz word. As a building material, aluminium is often admired for its recyclable property and high buy-back value. Aluminium is 100% recyclable which gives the material a huge advantage over other building materials used locally. These recyclabilities and high re-sale value characteristics are important considerations – even acting as deciding factors – for both architects and their clients when it comes to choosing the right sustainable material for the projects. “For the local industry, sustainability is gaining attention, and one of the reasons for our selection of aluminium for the roof the school premises belonging to Lycee Francaise was the recycled buy-back value driven by the supplier of the aluminium roof,” says Dato’ Hew.

When comparing aluminium to other metal construction materials commonly used in building facades and roofs, Dato’ Hew believes that aluminium is not as widely promoted as other metal construction materials to give it the required exposure. Other architects, including Mr. Leslie Tan, also affirms that aluminium is a material of good quality and suited for local projects. Without doubt, aluminum has better quality and longer lifespan, it will be a popular material for roofing and cladding when compared to other commonly used metal materials due to buying back guarantee and the former’s unique qualities suited for the local environment: corrosion resistance, durability, and thermal efficiency are the most-often cited reasons for choosing aluminium as façade and roofing material of choice.

“In the near future, we hope to see aluminium materials being adopted more into our local architectural design output and, with precedents from overseas, we hope we can focus to include creative usage of aluminium in our designs,” says Dato’ Hew when asked to share his thoughts on the creative potential of aluminium in local projects. When it comes to his creative inspiration on incorporating aluminium as a key or accent material in building and design, Dato’ Hew shares that “It would be building a house using all structural elements and components with aluminium.”



Aluminium is highly corrosion resistant.

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Aluminium is 3 times lighter than steel but as strong as steel.



ALCOM offers aluminium Roofing Sheets with multiple colour options.

Unrefined Palm Oil Boosts Lung Immunity Against COVID-19

A study shows that unprocessed red palm oil helps to maintain lung immunity and respiratory health, strengthening's one's body defences against the coronavirus that is causing the COVID-19 disease.

The product, also known as virgin red palm oil, can help maintain an adequate amount of a substance crucial for the body's immune system.

Sri Raharjo, researcher of food technology and agricultural products at Gajah Mada University, said that alveoli, tiny sacs in human lungs where oxygen and carbon dioxide exchanges, are covered with emulsifiers or surfactant which contains palmitic acid (palmitate).

"Palmitate covers 60 percent of alveoli inner walls. It is synthesized directly from fat, and the virgin red palm oil has the palmitate needed by the alveoli surfactant," Sri Raharjo said in a virtual seminar.

The body does produce surfactant naturally, but consuming palmitic acid should help keep it at an adequate level needed for the body.

When the coronavirus, SARS-CoV-2, enters the body, it will go through the alveolus, self multiplies and disrupts the surfactant synthesis process. Macrophage, a type of cell in the alveolus, will counter-attack by releasing cytokines, causing blood vessels to widen, then leaking water into the alveoli.

"If alveoli are drowned in water, the surfactant will no longer be effective and cannot synthesize. The gas exchange will not run smoothly, and the person will have breathing difficulty. In this state, the person requires ventilators to breathe," Sri Raharjo said.

Virgin red palm oil also contains pro-vitamin A, vitamin E, vitamin C, and beta carotene, nutrients that are essential to guard the body against COVID-19.

Sri Raharjo said that virgin red palm oil also has 15 times higher pro-vitamin A than carrots and high tocotrienols, which boosts the immunity system.

«Vitamin E, tocotrienol, and pro-vitamin A dissolved in virgin red palm oil are powerful antioxidants that can ward off free radicals. Vitamin C, which is available in many fruits,

functions to refresh vitamin E as a weakened antioxidant after reacting with free radicals," he said.

However, it is essential to pay attention to the saturated and unsaturated fat intake. If the diet is not optimal, the body will try to compensate to cover the nutrients needed, in which there will be inflammation in alveoli.

Sri Raharjo said the clearer the oil, the fewer nutrients left in the oil. Therefore, unprocessed oil is the best way to consume red palm oil.

"It is best to use virgin red palm oil as cooking oil or for stir fry, instead of frying oil. The oil can be mixed when the meal is finished cooking, so the beta carotene and vitamin E are not damaged," he said.

Despite the benefits, red virgin palm oil remains under negative perception surrounding its refined form, the palm oil. The World Health Organization said that palm oil is unhealthy and causes heart attacks because of its high saturated fat.

The global agency body suggested avoiding saturated fat consumption such as fatty meat, butter, palm and coconut oils, cream, cheese, ghee, and lard to protect the body against COVID-19.

"In Africa, virgin red palm oil is the basic ingredient of daily food for its people, but in Indonesia, there are still many people who do not understand it. They even don't know if the food they eat daily contains palm oil," Darmono Taniwiryono, chairman of the Indonesian Palm Oil Society (Maksi).



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Affirming A Cause; Pandemic or Not



Smallholder in Perak, Malaysia (image courtesy of Wild Asia)

Multiple phases of the Movement Control Order (MCO) have passed and Malaysia is finally and slowly easing back into life. Many sectors are now focusing on economic recovery post COVID-19. There will be massive economic disruption and job losses but we do need to remain focused on what we can control.

As we have seen, like many industries, palm oil is not exempt from the impacts caused by the pandemic – a slowing down of production coupled with a shortage of manpower and disruption to supply chains. United Plantations Berhad has warned that palm oil production could be under threat in the second half of 2020 as present lockdown policies and travel restrictions will prevent guest workers from seeking job opportunities in the Malaysian plantation industry.

These are not to be taken lightly, especially since palm oil is essential to many products we use on a daily basis and vital to Malaysia's economy, representing about 4% of the country's GDP.

For this reason, we should strive to make the industry sustainable. Not just for industry players, brands, and retailers but also for our society at large. Whilst advocating for greater adoption of sustainable palm oil production methods, we are working hard to educate the public, clear misconceptions, and help consumers understand that palm oil can be sustainable.

To many, palm oil production is often linked to negative effects on the environment with many activists urging for a boycott of the industry. However, that might not be the solution. "It is not palm oil that harms orangutans, nor other agricultural crops

that damage the environment. It is unsustainable agricultural production that impacts the environment, affecting natural ecosystems, reducing wildlife habitats, emitting greenhouse gases, and polluting freshwater," says Dr. Henry Chan, WWF-Malaysia Conservation Director.

Boycotting will also affect the livelihoods of the 250,299 independent smallholders cultivating about 16.8% (979,892 ha) of the country's total oil palm area (based on MPOB's 2018 figures).

To that end, I want to outline how those of us at home can do our part to push for more sustainable palm oil production.

Back to basics

If you're looking to learn more about the industry, WWF's Sustainable Agriculture page on palm oil and MPOC Palm Oil page are good resources of information on the industry. I'd also encourage you to check out the RSPO Sustainability College where you can learn more about some of the latest developments to our standards and practice due diligence from the comfort of your own desk.

Support the members and companies that are part of the cause

Let's be honest. There are companies that show initiative and then there are companies that are lagging behind and hope it goes unnoticed. I'm not advocating you spend hours or even a long time in the grocery aisle reading labels of packages to find out who is using sustainable palm oil, but I do think you could

use this time to reach out to your favourite brands and ask them to source and use certified sustainable palm oil. Or even better, you could thank a company for using sustainable palm oil. Many NGOs publish scorecards, like the WWF scorecard, that can guide you to make good purchasing decisions when things return to normal. The new Shared Responsibility rules also give the RSPO the ability to nudge these laggards.

Support your local NGOs and zoos

Many of the RSPO's zoo members are struggling right now from the impact of the closure and declining attendance in the preceding weeks and months. This was already the case for Zoo Negara who recorded a steep decline in visitors from 2015 onwards pre COVID-19. Many people aren't aware that our zoo members help drive spending on conservation in palm oil-producing countries, such as Malaysia. For example, Oregon Zoo is working with HUTAN on programs in Sabah, Malaysia. In 2017, the RSPO signed an MOU with the World Aquarium and Zoo Association (WAZA) to further our shared goals and objectives regarding the transformation of markets to make sustainable palm oil the norm. Every ringgit counts for these organisations. Perhaps now is the time to purchase that membership.

Keep up the pressure for climate action

Climate change is not going to go away because we all stay at home for a few months. The damage we have done to our planet is lasting and it will take the collective action of government, civil society and the public at large to achieve meaningful change. And, even though we're in the middle of a pandemic, climate change must not take a back seat.

Moving forward, even though COVID-19 may potentially impede the growth of sustainable palm oil, RSPO seeks to not only create more brand awareness and improve current perceptions of the industry but we're also committed to highlighting that sustainable agriculture practices are the only way to maintain economic performance while improving the environment and lives of farming communities. Humans have driven unsustainable farming practices, but we can also drive sustainable change and protect our forests and communities.



Adapting but remaining transparent and relevant

From our perspective, we are in close communication with RSPO members to remind them of their social obligations to workers during this difficult time, such as job security, fair wages, or the provision of healthy and adequate food, among other social requirements outlined in our certification standard. Additionally, we must ensure that the smallholders who support the industry by selling their fresh fruit bunches to mills are paid on a timely basis, so that they may support their families and communities, and if there are shortages of vital and important foodstuffs or supplies, members must take immediate action to address these issues.

We all have a role to play in making sustainable palm oil the norm, be it by supporting a member of the RSPO or urging your favourite brands to become one. In an ideal world, organisations like the RSPO wouldn't need to exist - companies producing commodities would operate responsibly, governments would have the best possible laws in place to protect workers, communities, and biodiversity, and companies would pay a premium and support smallholder to make a decent living.

This ideal world doesn't exist yet. So, let's use this time and work together to see if we can make it happen in the very near future.

The writer is the director of strategic stakeholder relations at RSPO, Salahudin Yaacob.

The above comments and opinions in the article are the author's own and do not necessarily represent Asia Palm Oil Magazine's view.

There's No Palm Oil Alternative

I read a few news reports in a couple of international media recently about a start-up based in New York that is ready to go big in producing synthetic palm oil as an alternative to natural palm oil. The company uses microbes to convert food waste and industrial by-products into synthetic palm oil through a fermentation process and claims that the product can replace the plant-derived version.

Are synthetic palm oil and natural palm oil comparable?

Scientific findings and studies by renowned research institutions have discovered the superiority of palm oil in terms of nutritional values and versatility applications.

Palm oil contains Vitamin A and E. It is one of the richest sources of antioxidants such as carotenoids, tocopherols and tocotrienols and is free of cholesterol and trans fatty acids.

The synthetic palm oil produced by the start up in the United States lacks originality. It does not have the nutritional value and the start-up could not produce vitamins A and E that are rich in natural palm oil.

From an economic perspective, the synthetic palm oil cannot be priced competitively as the raw material used to produce it may also not be from renewable sources. Oil palm is known as the most efficient oil crop in terms of production and, therefore, offers a very competitive price in the global oils and fats market.

Is synthetic palm oil more environmentally friendly and sustainable compared to natural palm oil?

Bear in mind that the production of synthetic materials requires chemicals and microbes. How much energy and chemicals are used in the fermentation process? As such, can the company claim that synthetic palm oil is more sustainable than natural palm oil?



File Photo: Palm oil contains Vitamin A and E. It is one of the richest sources of antioxidants such as carotenoids, tocopherols and tocotrienols and is free of cholesterol and trans fatty acids. - NSTP/IQMAL HAQIM ROSMAN

The reason for the company to produce the synthetic palm oil, according to the news reports, is due to allegations that palm oil is a major driver of deforestation and one of the leading causes of climate change.

The start-up has received a US\$20 million series an investment round from Bill Gates' Breakthrough Energy Ventures Fund, which supports cutting-edge start-ups with a focus on environmental innovation and sustainability.

Such claims should not be made before a detailed life cycle assessment is done. The start-up claimed that 31 million hectares of forest were cleared globally for cultivating oil palm in a period of 24 years (1990-2014).

What they failed to realise is the deforestation for cultivation of other oil crops. Based on the record of the United Nations' Food and Agriculture Organisation, an additional area of 30.5 million hectares were cultivated with soya bean globally for a period of eight years (2010-2018).

Oil palm cultivated areas account for less than one per cent of global agricultural land of around five billion hectares when compared to other oilseed crops (five per cent), other crops (23 per cent) and livestock, the largest at around 71 per cent.

Oil palm is the most productive crop with a yield of five to nine times higher than other oilseed crops such as soya beans, sunflowers and rapeseed. Due to its high productivity of about four tonnes of oil per hectare a year, palm oil is competitive and affordable to most people.

In fact, palm oil plays an irreplaceable role in ensuring global food security in the vegetable oils and fats industry. Yet, there are so many attacks on the sustainability of palm oil that there is a need to produce synthetic products in place of natural products.

We are well on track to achieve 100 per cent Malaysian Sustainable Palm Oil (MSPO) certification. As of last month, 4.68 million hectares, or 79.4 per cent, of the 5.9 million hectares of oil palm plantations in Malaysia have attained the MSPO certification while 399 of the 452 palm oil mills have obtained it.

The writer is the director-general of the Malaysian Palm Oil Board, Dr. Ahmad Parveez Ghulam Kadir.

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Exclusive Interviews with the Palm Oil Industry's Major Players

Join us as we go on exclusive interviews with three major players in the palm oil industry from both Indonesia and Malaysia. They candidly open up about their overview of this year's palm oil industry in Indonesia and Malaysia what can we expect between now and 2021. No crystal balls involved, just factual opinions, and some guidance helping us sail through these turbulent times.

Background of our three palm oil experts in the hot seats



Datuk Nageeb Wahab, Chief Executive of Malaysian Palm Oil Association (MPOA)

Established in 1999 as a single umbrella entity to replace 3 large plantation sector organizations, namely, the Rubber Growers Association (RGA), the United Planting Association of Malaysia (UPAM), and the Malaysian Oil Palm Growers Council (MOPGC).

MPOA has been tasked with the important function of balancing the needs and interests of the various sectors for synergy and development of the plantation industry as a whole. Though a crop-specific body that will focus on oil palm, MPOA also serves the interest of other plantation tree crops such as rubber, coconut, cocoa, sugar cane, etc. It includes non-crop issues relating to labor, trade, pricing, and sustainability. As an integrated single, powerful voice, MPOA represents the complex need of the plantation industry more effectively particularly now that the economy is being rapidly globalized.

Today, MPOA has a membership comprising of 120 companies including all the big players in Malaysia with a combined planted hectares of close to 2 million hectares or 40% of the planted oil palm area in Malaysia. It is the single largest association representing the industry in Malaysia.



Dr. Ahmad Parveez Ghulam Kadir, Director-General of Malaysian Palm Oil Board (MPOB)

Malaysian Palm Oil Board (MPOB), established on 1st May 2020, is a government agency responsible for the development of the oil palm industry in Malaysia. Functioning under the Ministry of Plantation Industries and Commodities, its main role is to promote and develop national objectives, policies, and priorities for the well-being of the Malaysian oil palm industry.

To drive the industry forward, MPOB focuses on research and development along the entire value spectrum of the oil palm industry. It embraces a 3-pronged strategy to maximize synergies between economic development, environmental stewardship, and value addition to ensure that future growth is carried out within a sustainable framework. MPOB engages in cutting-edge science and innovative technologies and over the years has won many awards, both local and international. It plays a pivotal role in promoting industry excellence that resonates with its mission – to enhance the well-being of the Malaysian oil palm industry through research, development, and excellent services.

MPOB's vision is to become the premier Nobel Laureate-producing research and development institution, providing leadership and impetus for the development of a highly diversified, value-added, globally competitive and sustainable oil palm industry.



Mr. Jamil Haron, Chairman of The Palm Oil Refiners Association of Malaysia (PORAM)

1. Thank you for taking the time to join us for this interview. Just to warm all of you up a little, so during this period where everyone is kept working from home, what is your daily routine like?

MPOA: Since the COVID-19 lockdown or what we called in Malaysia, Movement Control Order (MCO) effective 18th of March, the MPOA Secretariat were kept busy and played a pivotal role towards first, convincing and getting the government to allow the plantation sector to continue operating as well as ensuring all our members' needs are taken care of by interfacing with the relevant authorities. As a result, the plantation sectors, except for one day in Malaysia and another 14 days in Sabah, have been spared the agony of closing and ceasing operation. We would not want to imagine if this industry namely the oil palm sector were to be asked to shut down like the rest of the other industries since we are dealing with a perishable commodity that if left unharvested and to rot will cause irreparable damage and have a significant impact and effect, especially on the 1 million smallholders in this country whose livelihood depends on it. Members in gratitude and response to the fight against the pandemic contributed more than RM5 million in the form of medical equipment and tool kits to the government hospitals and institutions.

MPOB: The Movement Control Order (MCO) announced by the government starting from 18th March 2020 required all to stay at home and adopt a new norm. The majority of MPOB staff worked from home since then to ensure MPOB's functions and services to the industry are not interrupted during the lockdown. Personally as the Director-General of MPOB, most of the time I perform my duties from home and occasionally went to MPOB for things that require me to physically be there. Some activities were performed via video conferencing. During the early days of MCO, I was busy assisting the industry members to ensure their supporting industries or service providers could operate to ensure all the sectors under the oil palm industry which are allowed to operate could function without any hassle or delay. We also assist many supporting industry players to obtain operating approvals from the National Security Council via MITI to ensure oil palm industry operations are not affected. Many enquiries from companies and associations were responded to clarify issues related to the MCO conditions and updates.

During this period, MPOB issued many letters to inform all industry players through their respective associations on the allowance to operate as well as providing suitable SOPs to ensure they operate according to the SOPs issued by National Security Council, oil palm-related SOPs prepared by MPOB as well as by

The Palm Oil Refiners Association of Malaysia (PORAM) was formed in 1975 primarily as a representative voice to the government and other stakeholders on matters related to the palm oil industry. As a trade association, PORAM is a voluntary and non-profit organization. Its members comprise of companies involved in the refining and related downstream processing of palm oil, palm kernel oil and other vegetable oils including ancillary services.

Being a trade association, PORAM is a voluntary, non-profit organization. Its members comprise of companies involved in the refining and related downstream processing of palm oil, palm kernel oil and other vegetable oils including ancillary services.

Through PORAM, palm oil refiners in Malaysia can act collectively and in unison to ensure that the government understands and recognizes the needs and problems of the industry at all times.

PORAM is represented in the relevant government bodies, among which are:

- Malaysian Palm Oil Board (MPOB)
- Malaysian Palm Oil Council (MPOC)



some plantation companies. A new letter with updated SOPs was issued everytime the government extended the MCO and when it changed from MCO to CMCO and then to RMCO. MPOB has also issued letters to related industry players (growers, mills, and refineries) for them to carry when they perform their duties which require them to move from one place to another during the MCO. The letter was also shared on MPOB's social media as well as on the website. MPOB constantly updates the stakeholders with the latest information on the implementation of the MCO related to the oil palm sector through social media platforms, hotlines and websites.

The oil palm industry is among the essential economic sectors which have been granted by the government to continue operations along the production chains during the MCO. These include the harvesting of Fresh Fruit Bunches (FFB) by plantations and smallholders; the processing of FFB by palm oil mills and the processing of crude palm oil in refineries for the production of cooking oil for local markets. However, all parties involved in the operations have to take precautionary measures to stop the spread of COVID-19. These include minimizing labor and their mobility to avoid physical contact (social distancing) and workers should return home immediately after work. They are also reminded to take care of their hygiene by washing sanitizing their hands.

PORAM: The early part of the lockdown was quite unsettling when I had to work from home to attend to so many matters without the assistance of my secretary. It was quite an experience having to discipline myself to observe the daily office routine. It was business as usual except in a different environment.



2. What are some of the challenges that you feel the palm oil industry is facing during this period of uncertainty? What are some of the measures taken to address these challenges?

MPOA: The plantation sector in Malaysia is already facing a myriad of issues namely labor shortages, the ever-increasing cost of production as well as reputational and sustainability issues. During this period of uncertainty, these issues continue to beset the industry but what is of more concern is the drastic drop in demand as a result of the closure of most things globally. This led to an increase in stockpile resulting in bearish prices just like most commodities. This commodity being a price taker is subjected to price volatility and this is our biggest challenge and that shall continue. Another big challenge was ensuring that the workforce which consists of 85% of foreign workers are kept intact and does not leave. We are rather fortunate that the existing workers stayed on but the industry has not got any new or additional workers to complement the already reduced work strength since the onset of the lockdown. Another fear is that these workers that remained will be wanting to go back to their families once the lockdown is over.

MPOB: The implementation of the MCO brings uncertainty to the economic sectors, including the oil palm industry. During that time, our primary concerns were how severe the lockdown would affect the operations, particularly the harvesting and processing of FFB, and losses to the producers and smallholders. The Ministry of Plantation Industries and Commodities has swiftly highlighted the issue to the government and justified the importance of the oil palm sector to continue its operations to ensure the supply of cooking oil for domestic consumption and fulfill the overseas contracts after the MCO. The Security Council has allowed the oil palm industry to resume operations on the second day of the MCO.

The COVID-19 pandemic harms the global trade due to the restriction of movement, and hence, has also affected the supply and uses of palm oil in the importing countries. During the MCO, the crude palm oil (CPO) prices have been affected at the early stage, starting early April 2020 the CPO price was declining due to the uncertainties of the COVID-19 and the MCO in many parts of the world which affected global palm oil demand. However, since mid-May 2020, due to several positive sentiments, the price was seen to be improving and stabilizing until today. The global pandemic has also highlighted an issue which probably Malaysians were not aware of, and that is food security or self-sufficiency in food production. Among the measures undertaken to address these challenges are: the government, under the National Short-Term Economic Recovery Plan (PENJANA) has announced a 100% exemption on export duty on crude palm oil, crude palm kernel oil, and

processed palm kernel oil from July 1, 2020, to December 31, 2020, to boost the palm oil sector. The move will encourage industry players to sell more palm oil and help them earn more income while solving their problems, including the additional costs incurred during these difficult times.

We could promote more exports, especially to the top vegetable oil markets, including India, China, and Pakistan. This tax exemption also augurs well with India's decision to import 1.14 million tonnes of vegetable oil in June from the April-May monthly average of 865,000 million tonnes. Unofficial reports show that export in June has increased by around 20% as compared to May 2020. To ensure the Malaysian oil palm industry remains competitive in the global market, MPOB as the government agency entrusted to serve the country's oil palm industry has undertaken several strategies and plans to conquer the detrimental effect of the pandemic, which amongst others include:

Differentiate Malaysian palm oil with other edible oils through the preservation of the valuable phytonutrients contained within palm oil. In particular, the beta carotenes and vitamin E tocotrienols, and their applications in isolated form in food products.

Commercialization on high value-added products such as palm-based designer fats and nutraceutical supplements that are being developed for various food applications and functionalities.

Focus on research to produce more downstream products than basic oleochemicals.

Provide a one-stop centre such as pilot plant facilities and international quality analyses and quality labs to help small and medium-sized enterprises (SMEs) and industries which are interested in investing in downstream palm products.

Provide technical advisory services to ensure the technologies transferred to SMEs or industries are successfully commercialised.

PORAM: Some of the challenges faced include the uncertainty of supply due to the shortage of labour experienced by our counterparts in the upstream sector. Besides, some plantations were forced to cease operations to help contain the virus during the earlier phase of the Movement Control Order (MCO). We also understand that many undocumented harvesters have either slipped out of the country or gone into hiding even after the relaxation of MCO. This had earlier disrupted the supply chain when some refineries were facing a shortage of crude palm oil (CPO) for refining to meet their export orders. However, over the past two months, the situation has improved.

The refining industry is concerned about the announcement suspension of export duty for CPO and CPKO on 5th June 2020 this may result in the free outflow of CPO, thus resulting in short supply to refineries locally.

Perhaps one of the measures the government can address during this period to boost exports is to give some kind of tax incentive to refiners who at the same time have to resort to explicit cost-cutting exercise.

3. Airlines and tourism-oriented industries are cutting manpower with massive slashes on revenue, do you reckon the palm oil industry would be forced to take such drastic measures and how detrimental would it be on the bottom lines?

MPOA: The commodities sectors, unlike the other sectors namely the tourism-related industries, were not badly hit during the MCO. Being essentially a food producer, this sector was spared and allowed to operate. While demand may have shrunk, we believe it is temporary as people need food to live, and as such demand will always be there albeit at a fluctuated level. This sector has not retrenched nor cut salaries of employees so far and that is proof of the resilience of this sector. Profits may have dipped but they can survive. In fact, with the gradual easing of lockdown in most countries, we are seeing demand picking up and prices easing up gradually.

MPOB: The oil palm industry operations were not severely affected by the global pandemic as experienced by the services sector. The whole production sector was not interrupted since the implementation of the MCO. In fact, the oil palm industry is actually facing a serious labour shortage as recently reported by Malaysian Palm Oil Association (MPOA).

PORAM: Unlike the plantation industry which is largely dependent on labour, the refining industry is fortunate in that a large part of the process is automated. We do have some pockets of manpower shortage particularly in the downstream packaging of finished products but the situation is not so adverse. The reverse is true.





4. What are the long-term effects that you foresee with the current pandemic on the industry?

MPOA: I believe this pandemic shall stay for a long period until a vaccine is found and that we have to adjust and live with the new norm. The fact that even during the pandemic, which has led to the closure of a lot of sectors, the oil palm industry stays above water and can withstand the economic onslaught. Prices of palm oil dipped not only because of lack of demand but were also dragged by other reasons such as a crash in crude oil prices, which is always coupled with palm oil due to the biodiesel factor.

MPOB: The current pandemic does not cause a severe long-term effect on the oil palm industry as its operations are back to normal. However, like any other sector of the economy, the disruption in the production and operation along the whole supply chain will have repercussions on the economy. The Malaysian oil palm industry is export-oriented with exports of palm oil alone covering 93.0% of the total CPO production in 2019. Thus, the Malaysian palm oil industry is very dependent on exports. The pandemic has affected the export of Malaysian palm oil to major destinations. Although exports of palm oil were affected at the early stage of the pandemic, however, lately the export seems to be picking up. We hope that with more countries slowly lifting their MCOs, the demand for palm oil will increase both locally and globally. Malaysia also anticipates lower than expected palm oil production this year. The pandemic also affects the implementation of biodiesel B20 as well as biodiesel market. The implementation was affected due to the MCO where it has to be delayed because of the movement restrictions especially for the launches in Sarawak and Sabah. Furthermore, the MCO has resulted in lesser usage of biodiesel due to fewer diesel transports on the road. This happens not only in Malaysia but around the globe. We anticipate the demand for biodiesel will be affected in 6-18 months until the pandemic is fully controlled globally. The delay in the launches of B20 and the reduction of biodiesel usage due to the MCO may affect the final annual palm oil stock.

PORAM: I do not foresee a negative change in the long run as palm oil has always been and will continue to be used in food applications. With the current world population at 7.8 billion and reaching 8.5 billion in 2030, there will be many more mouths to feed and needless to say, a significant increase in demand. I am optimistic about the long-term survival of the industry on condition that supply will similarly cope with demand in that the forces of nature particularly the weather will not play a disruptive role. Neither do I want to see the resurgence of another pandemic afflicting the whole world again.

5. With so much negativity floating and sinking in all industries, perhaps you could shed a bit of light from your perspective on what are the positive things the palm oil industry can look forward to in the next six months?

MPOA: As I mentioned earlier, palm oil being essentially a food producer shall always command demand and will stay afloat for a long period. A point to note is that the palm oil price is still higher than last year despite this pandemic. That speaks volumes of its resilience. We are more concerned if the government stopped us from operating due to non-adherence of SOPs and guidelines rather than due to demand. The gradual opening of most sectors of the economy over the next six months shall continue to spur demand and prices. The question is the speed of the resumption to normalcy. We are comforted that prices of late have been on the increase after the gradual opening of the economy in most countries and that augurs well for the oil palm sector for the near future.

MPOB: We are looking at a rebound in the price of CPO in the second half of 2020 supported by the anticipated recovery in export demand from major importing countries such as China and the EU due to the gradual easing of lockdowns coupled with the expectation for improvement in exports to India. We also anticipate that in the fourth quarter of 2020, inventory levels would improve due to the increase in export volume which we hope could further support the improvement in prices. Malaysia has begun to see a rebound in CPO prices since May this year. On June 24, the price of CPO stood at RM2, 515 per tonne. On this note, we are anticipating that the average CPO price for 2020 would be around RM2, 500 per tonne. The performance of world oils and fats market is expected to be mixed, with total production and exports are forecast to be lower than that of the previous year. However, total disappearance is expected to increase which will lead to lower stocks and better prices.

PORAM: Contrary to a doomsday scenario and as what I have observed in the earlier question, I foresee a strong resumption in demand for oils and fats especially processed palm oil products in the developing countries post the pandemic period. Stocks

have to be replenished in the next six months as the world slowly moves into the new normal with increasing consumer demand. What more with palm oil is the most cost-effective and affordable vegetable oil in the world? I am full of optimism that the good days are coming back again and we should take full opportunity to take advantage of it by going all out to promote and boost exports.

6. Equipment suppliers to the palm oil industry and those in the supply chain would be affected during this period, how do you think they can maintain their business in such a challenging climate? What other extraordinary efforts should be made?

MPOA: We do experience some hiccups due to lack of supplies of equipment during the lockdown period but the situation is not critical as the supply chain within the country remains unscathed, and this industry due to its long existence has developed its manufacturing capabilities to manage its needs. As long as the industry is allowed to operate so will be the equipment suppliers. We are rather fortunate that we do not have to rely on imports to operate.

MPOB: During the period of the MCO, supply of equipment for all sectors were affected due to logistic issues and other factors. The situation has now improved as economic sectors are now allowed to resume operations as the pandemic subsides. With the labour shortage since prior to COVID-19, we hope some of the plantation companies or even smallholders may consider moving towards mechanization in the fields and operations. The use of machines will also help to keep good social distancing in their plantations, mills and refineries. Manually, more labour will be required. MPOB hopes the demand for mechanization and plantation equipment would help boost the economy of the machineries or equipment suppliers. The procurement of equipment in the oil palm industry, like any other industry is the company's decision which is part of the investment to enhance production and expand its operations. The government is not interfering as it is a business decision.

PORAM: It looked doom and gloom in the earlier part of the lockdown but as we have seen, the situation has since changed although unlike the pre-pandemic period, the situation is slowly but surely going back to normalcy. With demand returning and exports increasing, I am confident that suppliers to the industry and those in the supply chain will equally benefit in a win-win situation.



7. What is your advice to palm oil producers who are feeling the slump now? What additional measures they should be taking during this period?

MPOA: The oil palm sector is not facing a slump but more a glitch and as long as there is demand and prices are reasonable, they will remain relevant. This industry, which contributes about 5% to the country's GDP is a mature one and has survived plenty of challenges over the years and I believe they will be able to withstand these uncertainties. A bit of tightening of the belt and adapting to the new norms is what is required of the industry player. Another important factor is the presence of government support in terms of regulatory assistance such as easing of the labor recruitment process as well as financial handouts namely to the smallholders in keeping all afloat. 3 million people livelihood depends directly or indirectly on this sector. That is how important palm oil is to the nation.

MPOB: All sectors in the oil palm industry must focus on enhancing productivity and quality of palm oil products to sustain income regardless of the palm oil prices. This can be attained through efficient management and good practices in the plantations, milling and processing, and intensifying activities in the downstream value added sector. MPOB through our research and development (R&D) efforts has developed many new technologies and innovations encompassing all the sectors in the oil palm industry for adoption which in turn will elevate productivity, efficiency and returns. In fact, on 7th July 2020, MPOB organised its annual Seminar Transfer of Technology Seminar (ToT 2020) at MPOB's headquarters through web or Webinar in order to comply with COVID-19 SOP. TOT 2020 is MPOB's platform to introduce few more new technologies from upstream to downstream to drive the oil palm industry forward. As of 2019, MPOB has launched 667 technologies, 184 services and has patented 367 innovations. In terms of technology commercialisation, MPOB has recorded achievement rates of 30.4%, while patented technology stood at 32.4%. At the TOT 2020, MPOB launched eight (8) new technologies and seven (7) services for commercialisation.

PORAM: I strongly believe there is a rainbow in the sky post-COVID-19 period and a light at the end of the tunnel. Our advice is to stay focused on the business, to look ahead, and never look back. Be innovative and invest in R&D to develop more downstream applications in value addition. To be more pro-active in merchandising the product by bringing it directly to the market place instead of trading it through a third party. Last but not least to be cost-effective and more importantly, to be mindful of risk management.



Desmet Ballestra Biodiesel Plant.

An Interview with

Mr. Khoo Kiak Kern, Managing Director of Desmet Ballestra (Malaysia) Sdn. Bhd.



Khoo Kiak Kern

K. K. Khoo graduated as a chemical engineer and has a Master in Management Science from the University of Manchester, U.K. He has worked for more than 30 years in the Oil & Fats Industry starting as a project engineer and then as plant manager in one of the leading palm oil refineries in Malaysia. He joined Desmet Ballestra Group in 1992 as general manager for Malaysia office taking care of the operation in the South East Asia region. Later being promoted to managing director taking care of the Desmet Ballestra regional offices in Malaysia, Singapore, Indonesia, and China covering the South East Asia, Far East Asia, and China markets.

1. Desmet Ballestra Malaysia has been established since 1978. What are the company's comparative strengths and strong suit than other refinery companies in the industry?

Desmet Ballestra Malaysia has been in Malaysia since 1978 and the philosophy of the company has always been consistently to bring to the vegetable oils industries (palm oil included) with the latest technology and to provide technical support regionally to all working partners. More than half turnovers of the group are repeat customers some have even been working together for more than 40 years in this region before even our presence in Malaysia.

Desmet Ballestra group started more than 70 years ago with the first extraction plant in Belgium in 1946 and since then the group has expanded the local network globally. We have today more than 21 fully-owned regional offices throughout the world to provide full technical supports locally to all customers.

2. How does Desmet Ballestra aim to develop and supply sustainable technologies of superior quality as there is plenty of companies that have resort to sustainability in their project and products?

With more than 25,000 processing plants globally and the several R&D centres located globally within the group, we are proud to say that all process know-how is developed in-house within the group network or in collaboration with the technical institution. The group policy of "*the Science Behind Technology*" approach enables us to introduce to the industries

with innovation to meet the ever-growing stringent market requirement in terms of quality and sustainability.

Our in-house technology starts from the extraction of vegetable oils to refined oil and various downstream products – be it for food uses or non-food uses – which we are proud to say we have almost the complete chain of processing technology available in-house.

Turning low-grade materials into high value-added products, energy efficiency optimisation, product quality enhancement, new product developments are some of the areas in which the group has always aiming to focus depending on priority and market trends.



Customer interaction.

3. Soap and cleaning products have risen due to the outbreak of COVID-19. It has seen an increase in demand in the oleochemical industry. How does Desmet Ballestra's market in Detergents, Surfactants & Chemical change concerning the situation? What were Desmet Ballestra's plans and strategies to strengthen its market by the opportunity that has leaped?

Indeed the need for cleaning and personal care products has risen due to a recent outbreak and our group has always been the technology partners for companies producing these products globally and regionally. The technology and equipment supplied by us to our customers are associated with the production of renowned household brands found in the markets.

Our continued efforts in R&D and working alongside our customers allowing us to ensure the needs of end-users and markets are aligned.

4. Is Desmet Ballestra's Oleochemical and Biodiesel industry affected by the COVID-19 outbreak? How does Desmet Ballestra plan to serve their customer in these difficult times?

The needs for oleochemical and biodiesels in the region have grown recently and will/might continue to grow to judge from the current market trend.

We have the full technical design in our office in Malaysia and the execution/site support team in both Malaysia and Indonesia offices. This enables us to provide good supports to our existing and new customers in the region.

Oleochemicals and Biodiesel are an important part of our group business lines and with the global presence of our operating plants, we can share the different experiences we have within the group in addition to all the new development we have done in our R&D centres.

This enables us to provide our customers with a better competitive edge and up-to-date knowledge of the latest development and technology to meet the increasingly stringent market demands.

As traveling is limited due to the current outbreak of COVID-19, we have been providing supports locally if possible or remotely via video-conferencing and/or on-line real-time technical supports.



DB R&D Centre.



DB Innovative Engineering.

5. What are Desmet Ballestra's goals to curb the unforeseen situations caused by the current economy?

The group policy has always been consistent to ensure that our customers are supported and updated with the latest development in the market.

With our worldwide network and the knowledge gathered from all the processing plants globally, we can accumulate these extensive field-experiences to share with our customers. Our local presence and the strong IT-based supports from within the group enable us to have a very strong link with all our customers.

6. With over 70 years of experience, what are the advice that Desmet Ballestra would like to give to the players in the palm oil industry?

Over the years we have seen that the palm oil industry has undergone many challenges and revolutionary changes

– capacities have increased tremendously over the years, advancement in technology, the market requirement has become more stringent, competition becoming more intense, customers' needs become more demanding, operating costs to be more optimised, etc are some of the major changes we can easily identify.

Thus it is important that we remain vigilant in ensuring that the quality of products should not be compromised as food safety today is one major concern which could have been over-looked with increasing production and lowering cost due to competition.

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MALAYSIAN SUSTAINABLE PALM OIL

MSPO

CERTIFICATION SCHEME

The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme was implemented on a voluntary basis in 2015 as the national scheme in Malaysia for oil palm plantations, independent and organised smallholdings and palm oil processing facilities to be certified against the requirements of the MSPO Standards (MS2530:2013).

The MSPO Scheme sets stringent guidelines for the establishment of implementation and best operational and agricultural practices that ensures sustainable production of Malaysian palm oil for the world.

The Malaysian Sustainable Palm Oil (MSPO) Certification Scheme was announced in May 2017 for mandatory implementation by end 2019.

Malaysian Sustainable Palm Oil (MSPO) Standard supports the UN Sustainable Development Goals 2030



SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



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certifying
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