

INTERNATIONAL PALM OIL SUSTAINABILITY CONFERENCE 2012
 Putrajaya Marriot Hotel, Malaysia, 10-11 September 2012

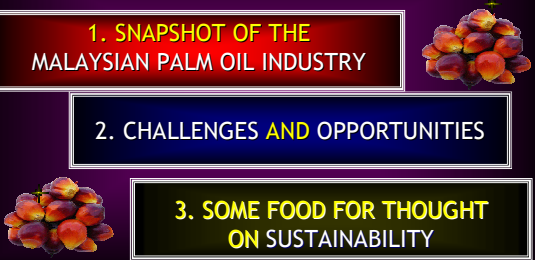
**Key Sustainability Challenges and Opportunities
 in the Malaysian Palm Oil Industry**
 Joseph Tek Choon Yee



**Key Sustainability Challenges and Opportunities
 in the Malaysian Palm Oil Industry**

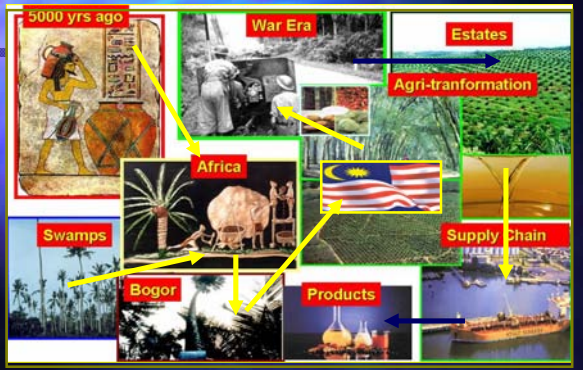
PRESENTATION TODAY

1. **SNAPSHOT OF THE MALAYSIAN PALM OIL INDUSTRY**
2. **CHALLENGES AND OPPORTUNITIES**
3. **SOME FOOD FOR THOUGHT ON SUSTAINABILITY**



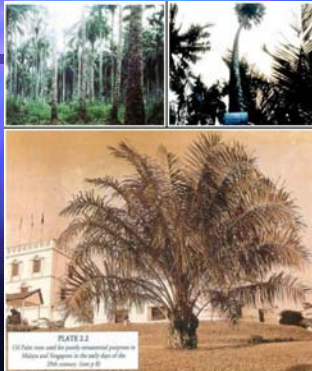

**SNAPSHOT OF THE
 MALAYSIAN PALM OIL INDUSTRY**

PALM OIL 5,000 YEARS OLD SAGA



5000 yrs ago, War Era, Estates, Agri-transformation, Swamps, Bogor, Products, Supply Chain

CENTENNIAL OF OIL PALMS IN MALAYSIA (1912-2012)



**HISTORICAL RECORDS
 IN MALAYSIA**

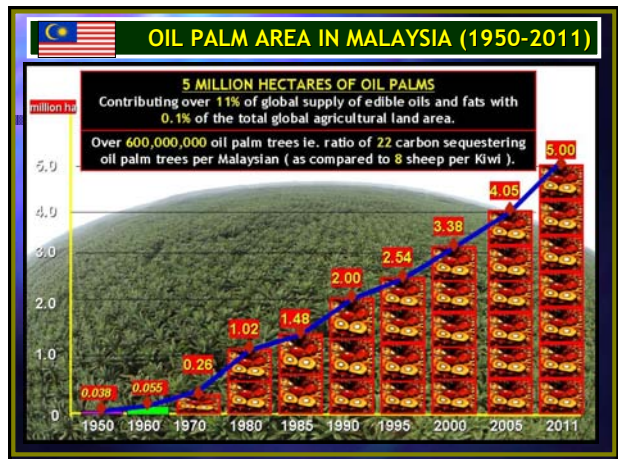
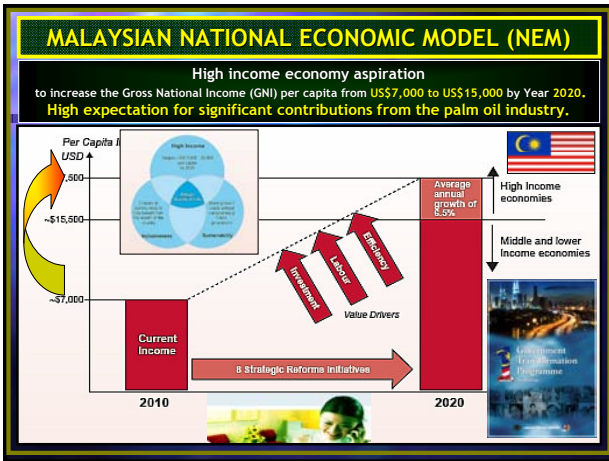
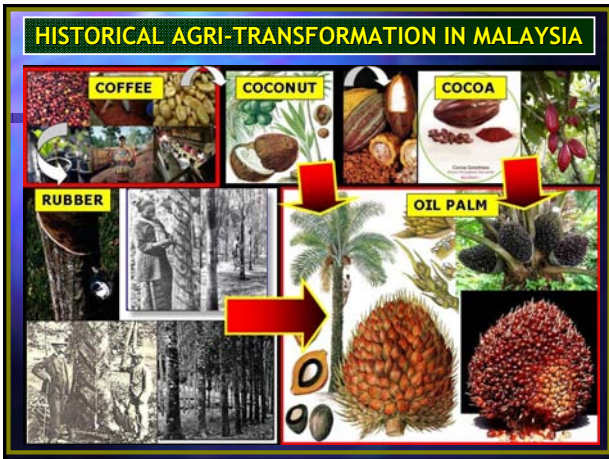
- 1887 : Oil palm was first introduced as ornamental plants
- 1910 : Oil palm first planted in Kluang, Johore
- 1911-12 : Planted in Rantau Panjang, Kuala Selangor
- 1917 : Commercial planting in Tennamaram Estate, Selangor

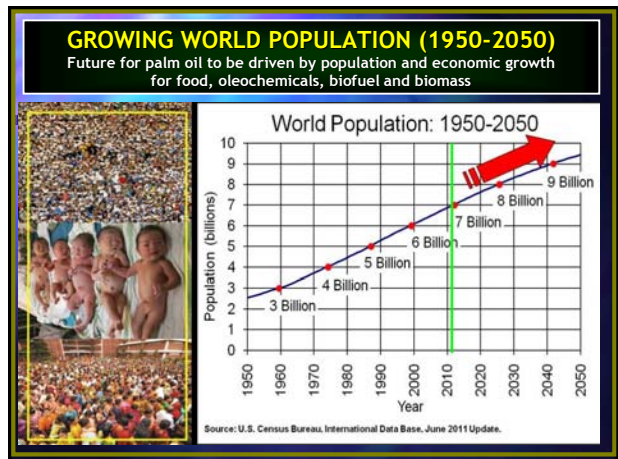
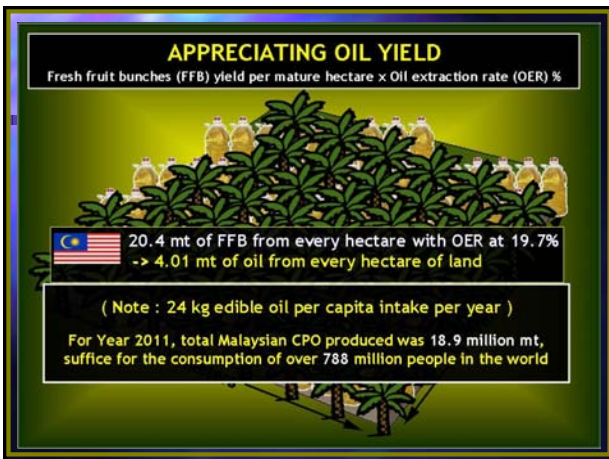
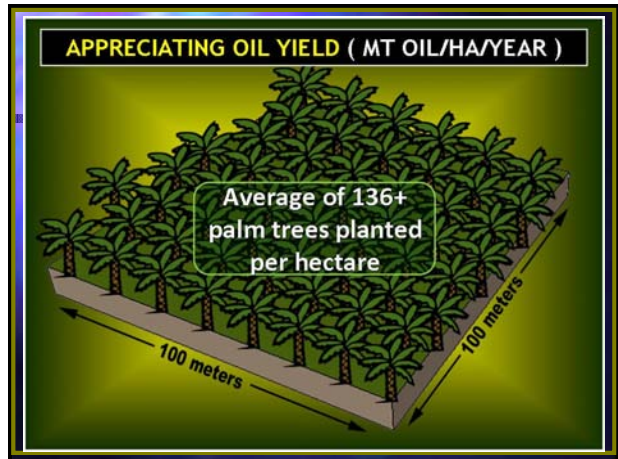
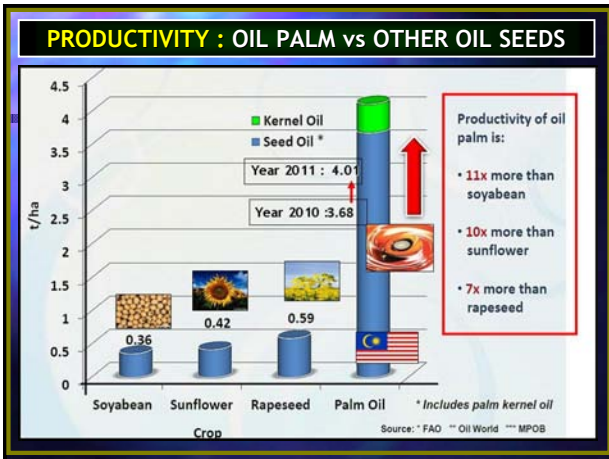
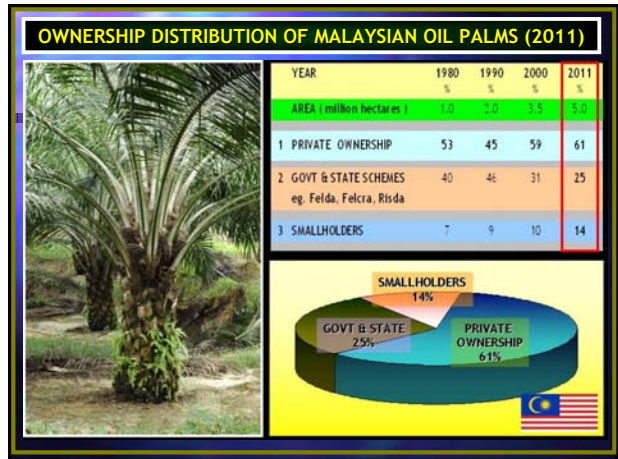
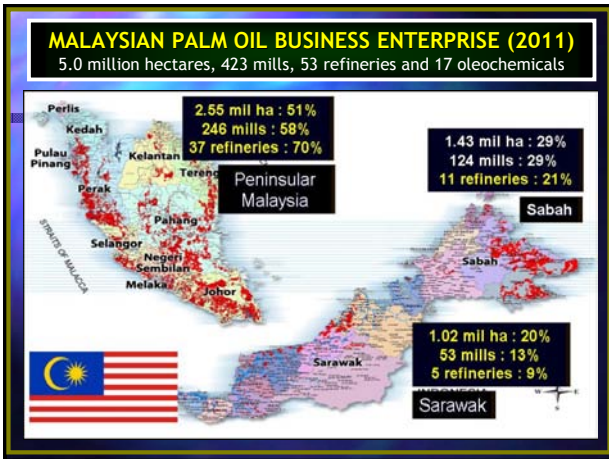
'MERDEKA' IN 1957

Tunku Abdul Rahman exclaimed "MERDEKA" at the Merdeka Stadium on 31 August 1957 indicating the independence of Malaya
 -> leading to rural development
 -> plantation crop diversification from rubber to oil palm



Merdeka! Merdeka! Merdeka!





.... HUNGER AROUND THE WORLD IS REAL
 Palm oil : an important source for food

Every 3.6 seconds a person dies of hunger
75% of them are children

PERTINENT QUESTIONS
TO ALL STAKEHOLDERS IN THE AGRICULTURE SECTOR

- Will we be able to **produce enough food at affordable prices** or will rising food prices drive more of the world's population into **poverty and hunger**?
- How much **spare capacity in terms of land and water** do we have to feed the world in the future?
- What are the **new technologies** that can help us use scarce resources more efficiently, increase and stabilise crop yields?
- Are we **investing enough in R&D** for breakthroughs to be available in time and in order to help agriculture adapt to climate change?

FUTURE DEMAND OUTLOOK FOR PALM OIL

2 Tablespoons of Olive Oil
 A Day Keep the Doctors Away

Mediterranean Book
 National Board for the Preservation of Italian Healthy Eating Traditions

2.6 BILLION PEOPLE IN CHINA & INDIA
 POPULATION & ECONOMIC GROWTH

Similar 2 tablespoons of nutritious palm oil per day per person in CHINDIA alone will require an additional >20 million tonnes of palm oil per year > total Malaysian annual palm oil production

THE WORLD NEEDS PALM OIL – NOW AND THE FUTURE

CHALLENGES AND OPPORTUNITIES

THE FUTURE IS IN OUR PALM (Star, 25 August 2012)
<http://biz.thestar.com.my/news/story.asp?file=/2012/8/25/business/11758499@sec-business>

Inspiring the nation, page by page by

Malaysia's leading English

Logos: MPOC, FGV, IOE GROUP, UP

DEFINING SUSTAINABILITY

P=PROFIT

P=PLANET

P=PEOPLE

3Ps

"Honest disagreement is often a good sign of progress."
 -Mahatma Gandhi

CAN PROFIT AND SUSTAINABILITY GO TOGETHER ?

PROponents & CRITICS ON SUSTAINABILITY-CORPORATE RESPONSIBILITY

".... proponents argue that there is a strong business case for corporate responsibility, in that corporations benefit in multiple ways by operating with a perspective broader and longer than their own immediate short-term profits.

.... critics argue that corporate responsibility distracts from the fundamental economic role of businesses;

.... others argue that it is nothing more than superficial window-dressing.

CHALLENGES & OPPORTUNITIES IN THE PALM OIL INDUSTRY AT CROSSROAD OR UNDER THREAT ?

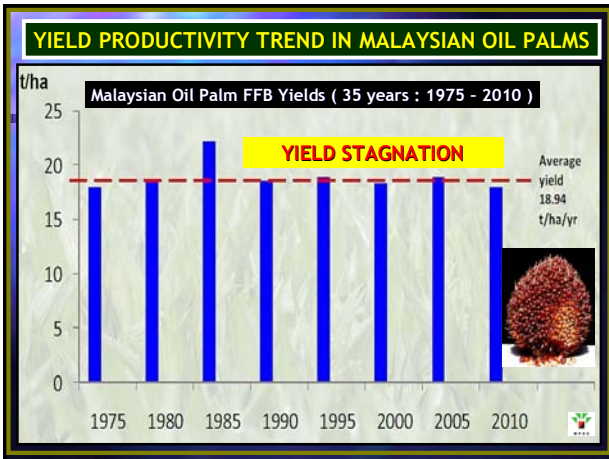
P=PROFITABILITY
YIELD-COST GAME
Yield-Productivity, Cost, Margins

P=PLANET

P=PEOPLE

P=PERCEPTION ON SUSTAINABILITY
Socio-environmental aspects
Corporate Responsibility

P=PEOPLE
Guest Workers & Other Human Capital, Talent Management, Succession Planning



HIGHER YIELD POTENTIAL FOR OIL PALM

- High yields can be attained and sustained with 'controllable' best management practices incorporating optimal palm stands and effective pollination and site-yield potential (SYP).
- Higher yield potential in new plantings and replanting with latest DxP planting materials.
- But today, crop losses in the fields are REAL BIGGEST CHALLENGE

WORKERS
WORKERS
WORKERS

PEOPLE : TALENT MANAGEMENT

FROM BABY-BOOM GENERATION -> GENERATION X -> GENERATION Y & Z

BORN 1946 - 1964

BORN 1965 - 1980

BORN 1981 - 1996

BORN 1997 - 2012

GEN X -> GEN Y -> GEN Z

Enhanced efforts must continue to develop the next generation of talent and succession planning to serve the industry i.e. in companies, research hubs, associations, media etc.

BIOTECHNOLOGY & NANOTECHNOLOGY FOR OIL PALM

Does Oil Palm Hold A Cancer Cure?

nan-o-tech-nol-o-gy (nā-nō-tek-nō-lō-gy) technology of building electrical atoms and molecules

IMMENSE OPPORTUNITIES IN OIL PALM BIOMASS UTILISATION

90%
 Empty fruit bunches
 Fibre, fronds, trunks,
 POME -> Methane capture
 -> Renewable Energy
 -> Antioxidants

10%
 CPO and CPKO

ENHANCING PRODUCT DEVELOPMENT LESSON FROM PALMOLIVE

The excavation of an early tomb at Abydos, dated to 3000 B.C. yielded "a mass of **several kilograms** still in the shape of the vessel which contained it!"
 Friedel, 1897

Palmolive was developed in 1898 by the B.J. Johnson Co. and by 1900 was the worlds best selling soap.

ADVERTISEMENTS BY PALMOLIVE PALM OIL + OLIVE OIL

PALMOLIVE
 Re-Incarnation of Beauty

COLGATE-PALMOLIVE COMPANY

PALMOLIVE SHAMPOO

OTHER EXAMPLE : 'SMART BALANCE' PRODUCTS

SMART BALANCE

YOUR BLUEPRINT FOR HEALTHIER LIVING.

Palm Kernel Oil vs. Palm Fruit Oil

Capitalizing on America's Fear of Heart Disease: Palm Oil is the major ingredient in the American Heart Association's (AHA) Recommended Diet

MARGARINE AND BUTTER USERS... Your total cholesterol is not the full story... The amount of saturated fat, trans fat, and cholesterol is what counts.

"BALANCING YOUR FATS MAY HELP YOU... IMPROVE YOUR CHOLESTEROL RATIO"

**SOME FOOD FOR THOUGHT
 ON SUSTAINABILITY**

Food For Thought (1/5)

PERCEPTION IS REALITY

PALM OIL : 'WAR' AGAINST TROPICAL OILS SINCE 1980s TILL TODAY

CONTINUED ANOTHER 'WAR'?

NGOs CAMPAIGNS AGAINST PALM OIL SINCE 1997/98

BAA, BAA BLACK SHEEP

YEAR 2000

...Though we are certain that oil palm cultivation and processing for palm oil are environmental friendly practices, we have to take cognisance of a few who may look for "short term gains" and thus cut corners. At the same time, there is always room for improvement in current practices.

...Thus it is disappointing to note that some critic seem ignorant of how the majority of producers of palm oil manage their operations but seem to single out the rogue producers and assume the wrong practices to be the norm.....

Quote from Editorial in ISP Planter many years ago, around Year 2000

EXTRACTS FROM UNITED PLANTATIONS' ANNUAL REPORT 2011 (page 42)

UP UNITED PLANTATIONS BERHAD

NGOs and Palm Oil

YEAR 2011

Always Room for Improvement

The palm oil industry must therefore acknowledge that there is always room for improvement and recognize that sadly there are producers within the industry who favour short term profits over long term sustainable practices.

Such producers should be taken to task by the authorities as their actions only help to portray a very negative perception of the industry to the outside world. However, it is important to stress that these 'black sheep' do not constitute the industry as a whole; it is therefore wrong to paint the entire palm oil industry with the same brush.

WHERE ARE THY FORESTS ?

"The Forest in Kalimantan could disappear in five years."

While the practice of re-planting has computers for the net tracks is a factor in the conservation of the forest.

It is easy, given such statistics, to point an accusatory finger from afar and claim the moral high ground. But having destroyed our own forests in the past, are we really in a position to criticise people trying to eke a living from the land around them?

Orang-utans roam widely in search of food and prevent orang-utan populations from moving populations are forced into ever-decreasing home to the largest proportion of surviving wild orang-utans.

The main sources of habitat destruction are logging and the clearing of forest for oil palm. Indonesia has second only to Malaysia. Global demand is predicted to rise by a further 50% in the next five years and some 200,000 hectares are cleared each year to make way for new plantations. The widely publicised forest fires of uncontrolled burning by plantation companies. Some sources suggest up to 80% of the eventually destroyed 5 to 10 million hectares of forest.

Palm oil production in Indonesia has increased by 57% since 1993, and the country now accounts for 31% of the world's palm oil production. In Sumatra were largely the result of deliberate started in this way, and

What has this got to do with us?

It is easy, given such statistics, to point an accusatory finger from afar and claim the moral high ground. But having obliterated our own forests in the past are we really in a position to criticise people trying to eke a living from the land around them?

LEVEL PLAYING FIELD IN AGRICULTURE ?

Western farm aid

... mind-boggling US\$300 billion a year in North America and EU ?

FARM AID

The oil palm plantation industry is one of the few examples of an agricultural development in the 3rd World which, without any Government subsidies, can successfully compete with the highly protected farmers in the G7 countries.

Tax paid to Malaysian Govt. = 40% of cost of sales.

OPPORTUNISTS AND BOUNTY-HUNTERS ?

DEAR OPTIMIST,
PESSIMIST &
REALIST,




While you guys were busy arguing about the glass of water, I drank it!

Sincerely,
Opportunist

Pepatah Melayu : "Menanggung di air keruh"

COMMON BUT DIFFERENTIATED RESPONSIBILITY



- Formulated at 1992 Rio Earth Summit -> Kyoto Protocol 1997
- Origins in equity considerations and equity principles in international law.
- The CBDR has two matrices.
- The first is the common responsibility reflects the duty of States of equally sharing the burden of environmental protection for common resources;
- The second is the differentiated responsibility
- In this sense the principle establishes a conceptual framework for an equitable allocation of the costs of global environmental protection

Food For Thought (2/5)

WHAT IS THE BUSINESS OF BUSINESS ?



WHAT IS THE BUSINESS OF BUSINESS ?

Rediscover moral purpose in business and bring ethics back to business

1. Neutralise the amorality of financial services
2. Create and maintaining satisfied customers
3. Create value for the community as a whole

PROFIT

PLANET PEOPLE

Recognising key stakeholders

1. Ensure shareholders have realistic expectations and behave like investors rather than speculators
2. Maintaining the long-term license to operate

Creating an environment where "Work is Worship"

1. Treating people with respect and dignity
2. Rewarding and recognising; not compensating
3. Giving every job a "line of sight"

Source : Challenges in Implementing Corporate Governance by John Zinkin (2010)

AGRIBUSINESS GOING FORWARD

CRISIS IS BUSINESS AS USUAL

Business As Usual: Status-quo with little or no significant changes in strategies, priorities and policies

FORWARD THINKERS

Embracing the new norms of doing business sustainably
 Incultating the right values across organisation
 Adopting "act local, think global"
 Raising floor and bar



NEW DNA OF BUSINESS : AGE OF RESPONSIBILITY

"deserves to become an instant classic" PHILIP KOTLER

THE AGE OF RESPONSIBILITY

CSR 2.0 and the New DNA of Business

Shared value, shared responsibility

Society BUSINESS

THE PEOPLE Creating Shared Value Report

SOCIAL BUSINESS AND THE GROWTH OF SHARED VALUE

Creating SHARED VALUE

2012 THE YEAR OF SOCIAL BUSINESS AND SHARED VALUE

Shared value means creating extra value for all sides of a transaction.



Key Sustainability Challenges and Opportunities in the Malaysian Palm Oil Industry
 by Joseph Tek Choon Yee
 INTERNATIONAL PALM OIL SUSTAINABILITY CONFERENCE 2012
 Putrajaya Marriot Hotel, Malaysia, 10-11 September 2012

RETHINKING CAPITALISM : CREATING SHARED VALUE

"..... The central premise behind creating shared value is that the competitiveness of a company and the health of the communities around it are **mutually dependent**. Recognising and capitalising on these connections between societal and economic progress has the power to unleash the **next wave of global growth and to redefine capitalism**....." Harvard Business

'SHARED VALUE' : WEALTH DISTRIBUTION

| EXAMPLE | FY2010 | |
|--|------------|-------------|
| REVENUE (RM million) | 407 | |
| minus purchases of goods & services etc. | 174 | |
| Total value-added | 233 | |
| DISTRIBUTION (RM' million) | | |
| To Employees | 57 | 25% |
| To Providers of Capital | 56 | 24% |
| To Governments -> Total | 64 | 27% |
| Retained for reinvestment | 56 | 24% |
| Total Distribution | | |
| | 233 | 100% |

Statement of Value Adding

Ratio 1 : 1 : 1 : 1

Source : IJMP Annual Report

EXAMPLE : OIL PALM PLANTATION STEWARDSHIP

Food For Thought (3/5)

BUILDING TRUST & PARTNERSHIP IN CORPORATE RESPONSIBILITY

ROLE OF STAKEHOLDERS IN SUSTAINABLE DEVELOPMENT

OPPORTUNITIES FOR ENHANCED PARTNERSHIPS AND EFFECTIVE STAKEHOLDER ENGAGEMENTS?

| | 1980s | 1990s | 2000s | FUTURE |
|-------------------|----------|----------|----------|---------|
| Adil Najam (2009) | | | | |
| GOVERNMENT | SOLUTION | CATALYST | PROBLEM | PARTNER |
| CIVIL SOCIETY | MONITOR | SOLUTION | CATALYST | PARTNER |
| BUSINESS | | PROBLEM | SOLUTION | PARTNER |

MALYSIAN PALM OIL CONSERVATION INITIATIVES

Example : MPOWCF, Sabah Wildlife Dept., university partnerships ..

Bornean Sun Bear Conservation Centre (BSBCC)

Tree Planting **Stakeholders Engagement**

Leading the way in innovative approaches and efforts

A collaboration of the Malaysian Government and the Malaysian palm oil industry leading the conservation of the environment and wildlife in Sabah.

Key Sustainability Challenges and Opportunities in the Malaysian Palm Oil Industry
 by Joseph Tek Choon Yee
 INTERNATIONAL PALM OIL SUSTAINABILITY CONFERENCE 2012
 Putrajaya Marriot Hotel, Malaysia, 10-11 September 2012

AFFIRMING MALAYSIAN PLANTATION COMPANIES CSR/CR
 Respective resource and focus initiatives/projects/partnerships

SOME EXAMPLES FROM MALAYSIAN PLANTATION COMPANIES

Case-study and Show-case :
 Appreciating, compilation and reviewing CSR/CR projects of Malaysian plantation cos.

EXAMPLE OF A SMART PARTNERSHIP
SHARED VALUE IN EDUCATING CHILDREN IN SABAH

.... In line with United Nation's Millennium Development goals of basic education for all children....

PLANTATION COMPANIES PARTNERSHIP WITH NGO

Year 2012 Latest Statistics : www.borneochilaid.org
 Learning centres in estates for guest workers children throughout Sabah

120 learning centres
Over 10,000 children

Food For Thought (4/5)
MECHANISATION
IN OIL PALMS

OIL PALM PLANTATION BEST MANAGEMENT PRACTICES

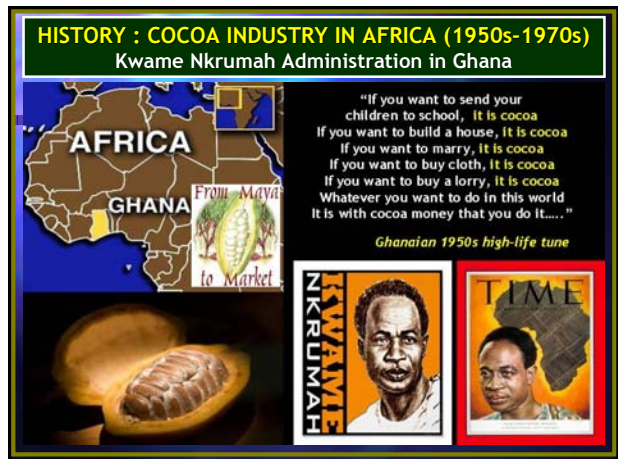
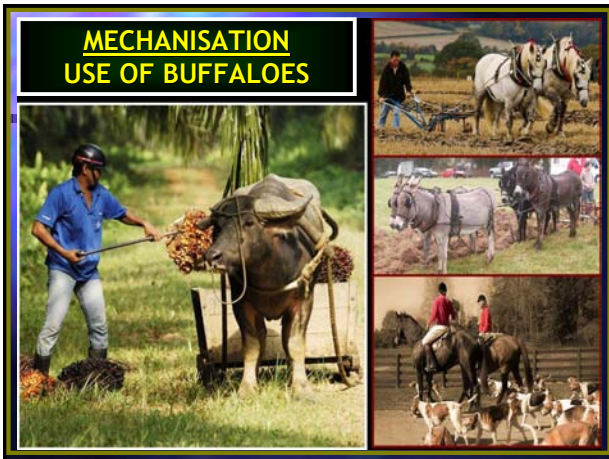
MECHANISATION & OIL PALM HARVESTING

Mechanised Weeding
 ... SITE-SPECIFIC & COST EFFECTIVENESS ...

Mini Grabber
 Crane & Net
 Huka System

cantas

... FUNDING & GOVERNANCE TO TRY SOLVING IT ONCE AND FOR ALL ...



<http://www.newint.org/features/1998/08/05/market/>



The COCOA chain

A farmer's bittersweet journey

The late 1950s and early 1960s were exciting days in Ghana as the country became the first independent state in sub-Saharan Africa. The leadership of Kwame Nkrumah with his radical nationalism and Pan-Africanism pushed an ambitious vision of Ghana's future. Plans for industrialization, electrification, import substitution and a revolution in education had to be underwritten by the foreign exchange earned from minerals, timber and most importantly cocoa. Given the boom prices of the 1950s, this did not seem unrealistic. But although production increased by a third, the international price fell by more than this. Newly independent Ghana's first 7-year economic plan was based on an international price of £180 a ton but by 1965 the price of cocoa had fallen to £65 a ton. The Ghanaian COCOBOD (the national marketing board) was forced into unpopular policies involving cuts in the price paid to farmers. Poor prices not only undermined Nkrumah's ambitious economic program but sap his political support leading to the military coup which eventually was his downfall.




Pepatah Melayu : Besar suap daripada mulut, besar pasak daripada tiang, besar sendal daripada gelegar

SOME CONCLUDING REMARKS

Creating sustainable natural resources is an inevitable and necessary conclusion. The environment is too important to be left to environmentalists alone.


In the end, it is about producing more on less land which is vital part of sustainable agriculture

Spirit of Partnership
 It's like the middle path, pull the string too hard, it will break. If the string is too loose, it won't play
 Buddha



Planning for growth
 Embracing the new "norma"

THE GLOBAL FOOD GAP PUZZLE ?

Apparently, a survey was conducted by the U.N. worldwide. 

The only question asked was :

"Would you please give your honest opinion about solutions to the food shortage in the rest of the world"

The survey was a failure..... WHY ?

1. In Africa, many did not know what "food" meant.
2. In Western Europe, many did not know what "shortage" meant.
3. In Eastern Europe, many did not know what "opinion" meant.
4. In the Middle East, many did not know what "solutions" meant.
5. In South America, many did not know what "please" meant.
6. In Asia, many did not know what "honest" meant.
7. And in the USA, many did not know what "the rest of the world" meant.