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'Add Value to Palm Oil'

Focus on Palm Oil

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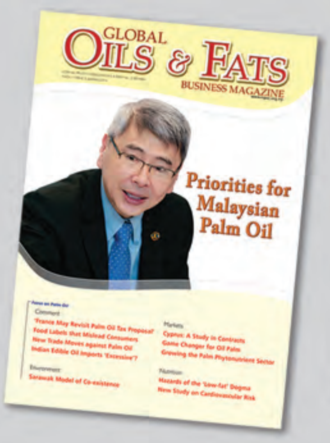

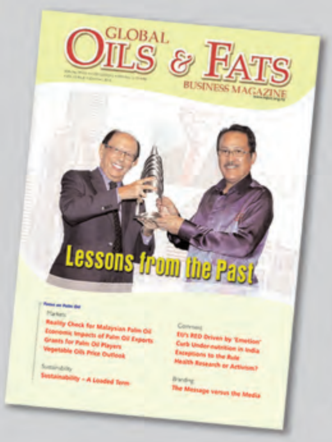

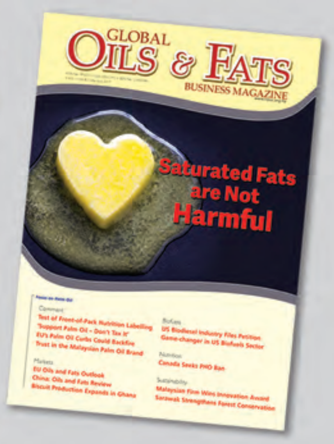

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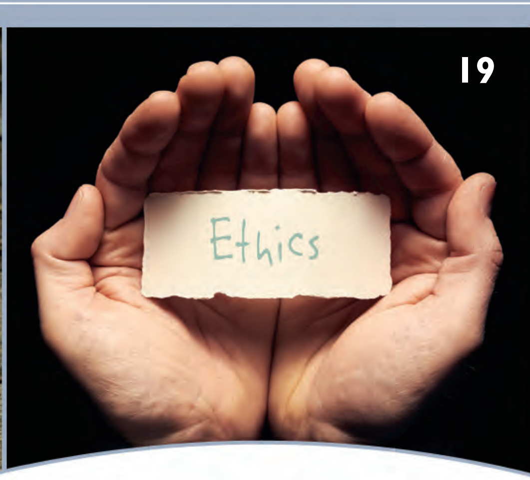

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The *orang utan* and palm oil – a deeper lesson

Michael Gonchar's science lesson plans – 'Endangered Orangutans and the Palm Oil Industry: An Environmental Science Case Study' – was published on Nov 9 in the *New York Times*. In it, he presents students with 'an environmental quandary to discuss and debate — a case study about the best way to protect [the *orang utan*], given the wave of deforestation shrinking their natural habitat in Southeast Asia'.

In the Going Further section, he suggests ideas for action to be responsible consumers, as well as 'researching other environmental and human costs of palm oil production, and weighing the economic benefits of a multibillion-dollar industry against its costs'.

We generally agree with his statement that 'there's an argument to be made against all-out palm oil boycotts'. We thank him for calling attention to the need for more education.

The best solution for protecting Malaysia's wildlife and rainforests is to support stronger standards and to beef up enforcement of legislation. One way to do this is by supporting the global use of certified sustainable palm oil, produced in compliance with stringent laws protecting wildlife, the environment and the livelihood of small farmers.

Until recent years, most of the palm oil used in the US was sustainably produced in Malaysia, a recognised leader in responsible production. The Malaysian government and palm oil industry are committed to maintaining our market share over other producers by choosing the certified sustainability and non-conflict routes. These actions have a strong potential of disengagement from many negative environmental practice perceptions currently associated with the industry.

As Gonchar notes, some oil palm cultivation has resulted in the conversion of forests in producer countries. The Malaysian case is often taken as a point for more positive reference in the development of the industry. Oil palm plantations occupy only legal, properly-zoned agricultural land. Environment Impact Assessment studies are required to avoid high-conservation value areas.

High-yielding trees produce oil-rich fruit for more than 25 years before needing to be replaced. And when it is time to replant, open burning is not allowed. Much of Malaysia's forest land remains protected, and current national forest cover has been acknowledged at nearly 56% of the total land area. At the 1992 Earth Summit, Malaysia had pledged to keep at least half of its land under forest cover. It has kept that promise despite becoming a major global palm oil producer.

Malaysia's oil palm plantations are actually carbon sinks that are efficient at absorbing carbon dioxide. While the media and persons such as Gonchar are critical of our practices, can they truly equate such measures in many Western countries including the US and Canada?

Wildlife conservation

The *orang utan* is not native to Peninsular Malaysia. Most of Malaysia's nearly 13,000 *orang utan* in the states of Sabah and Sarawak live on the island of Borneo's protected forests. The wildlife and forestry authorities in these states have taken necessary measures, so now the wild population lives mostly inside the protected area.

However human-animal conflict still occurs, and we are ramping up efforts to ensure that the precious *orang utan* remains protected – the penalty for endangering these animals now includes imposition of a hefty fine along with a possible jail term for all offenders.

Gonchar questions the wisdom of palm oil industry-supported wildlife protection efforts. He must also wise up to the fact that conservation efforts need adequate funding, including the need for strong

enforcement on the ground. While he may be critical about funding from the palm oil industry, in reality our funding has helped to create a much needed balance.

For example, we are actively funding the Wildlife Rescue Unit in Sabah. The two dozen rangers are on patrol 24/7, responding to all sorts of calls and emergencies, including difficult elephant translocations to ensure these animals are not in harm's way. Maybe the likes of Gonchar and the *New York Times* should similarly consider funding collaboration, rather than merely talk about it.

To avoid or ban the use of sustainably produced palm oil in our food supply would damage an industry that now actively supports environmental protection, including the *orang utan* in Malaysia's Sepilok *Orang Utan* Rehabilitation Centre, established 50 years ago. Sepilok also was the first centre in the world to return the *orang utan* to the wild, and we are proud of its overall track record.

The palm oil industry through the MPOC has also partnered with the government on the establishment and operation of the Malaysian Palm Oil Wildlife Conservation Fund (MPOWCF). Oil palm plantations participate in conservation efforts throughout the country.

For example, the MPOWCF funded an *orang utan* population survey by NGOs, which identified and mapped key habitats to better protect these majestic creatures. The MPOWCF also partners with the Sabah Wildlife Department on the Wildlife Rescue Unit, which is active in the conservation as well as translocation of wildlife impacted by human-wildlife conflict. Not stopping with the *orang utan*, the MPOWCF also provides major funding for the Borneo Elephant Sanctuary.

Sustainability standard

By Jan 1, 2020, 100% of Malaysian palm oil supply will be certified under the Malaysian Sustainable Palm Oil (MSPO) certification programme, launched in 2015. The MSPO is quickly becoming known around the world as an indicator of quality. Its standards have been established to reflect the realities of the oil palm industry and to address the concerns of stakeholders.

MSPO certification addresses the environmental, social and economic aspects of palm oil production, from the field to the final product. It includes general principles as well as stringent criteria for all parties, from independent small farmers to mills that process the oil.

The MSPO standard covers seven areas: management commitment and responsibility; transparency; compliance with legal requirements; social responsibility, safety and employment conditions; environment, natural resources, biodiversity and ecosystem services; best practices; and development of new plantings.

Many claims are made about palm oil and deforestation, but a report by the UN Food and Agriculture Organisation brings clarity to this. The livestock industry accounts for 71% of global agricultural land use or about 3.9 billion ha. Of this, 3.4 billion ha are for grazing, while 471 million ha are for producing animal feed. This area is five times larger than Australia. The area occupied by oil palm in the world – 15.6 million ha or 0.31% of all agricultural land use – is miniscule by comparison.

Malaysian premium certified sustainable palm oil now reaches more than 160 countries. Its continued use will help lift smallholders out of poverty, lead to a better life for their children, and assist the palm oil industry in caring for the environment. These are weighty issues worthy of inclusion in any serious lesson plan for educators and students.

Dr Kalyana Sundram
CEO, MPOC

"The oil palm was introduced to Malaya as an ornamental plant in the 1870s and remained so until 1917, when the first commercial planting started. It was transformed into a commodity crop that laid the foundation for Malaysia's palm oil industry. It grew and evolved, minting Malaysia's presence as the world's leading producer and exporter of palm oil. The industry also played an instrumental role in poverty alleviation. In the words of [2nd Prime Minister] Tun Abdul Razak [Hussein], the oil palm sector provided 'land for the landless and jobs for the jobless'.

Today, the industry sustains some 650,000 smallholders; and if we take the breadth of the supply chain into account, two million Malaysians rely on the industry for their livelihood. These numbers tell a story – a story of how palm oil is intertwined with Malaysia's development in a bond that can never be broken.

'Add Value to Palm Oil'

Next wave of disruption awaits

The Malaysian Palm Oil Council unveiled the recipients of its much-anticipated annual industry awards (see page 11) in Kuala Lumpur on Oct 9. Officiating at the event, Deputy Prime Minister Dato' Seri Dr Ahmad Zahid Hamidi noted that the awards were particularly meaningful as 2017 marks the centenary of the domestic palm oil industry. To continue adding value to palm oil, he stressed the importance of embracing new technologies. An edited version of his speech follows.

When we gained Independence 60 years ago, half of the population was grappling with poverty, with the majority living in rural areas where infrastructure was wanting. There was a big gap in the living conditions of the urban and rural populations because of the imbalance in economic opportunities. The government realised that it had to address this urgently.

Policies were formulated to ensure balanced economic growth and to reduce the income gap between rural and urban Malaysians. This innovative approach started with the setting up of FELDA in 1956, with oil palm being the chosen cash crop. FELDA's success led to other land development agencies, such as FELCRA, SALCRA and KESEDAR, all aimed at generating more employment opportunities.

The success of FELDA is the envy of the world – in just one generation, we not only reduced poverty, but created a new middle class. The United Nations and other international agencies have acknowledged that Malaysia has one of the best poverty reduction and economic restructuring programmes in the world. Today, Malaysia is a vibrant player in the global palm oil industry, producing close to 20 million tonnes and achieving a total export value of RM67 billion in 2016.

However, the industry faces unprecedented challenges, such as the 'No Palm Oil' campaign in several member-states of the European Union. We cannot stay silent any longer. We must respond rationally to negative campaigns, with facts and figures on issues of alleged deforestation and the destruction of wildlife habitats. The government will not tolerate negative campaigns; we will ensure on behalf of all of you here, and especially the 650,000 smallholders, that Malaysia gives a fitting response to those who harm the palm oil industry.

We must also forge ahead with sustainability certification and adopt best agricultural practices. I welcome the decision that the Malaysian Sustainable Palm Oil (MSPO) standard will be made mandatory by 2019. I strongly believe that this is the best move Malaysia can make in setting the agenda on certification; this should not be done by an external body that may not have the best interests of the industry at heart.

As the Member of Parliament for Bagan Datuk, I am well aware of these challenges because palm oil is an integral part of the local economy. Let me reiterate that the benefits of MSPO certification to both smallholders and estate owners will outweigh the costs. The government has allocated RM130 million to help smallholders obtain MSPO certification free of charge. It is encouraging that, so far, 19 sustainable palm oil clusters involving 1,040 smallholders and 4,127 ha of land have obtained certification.

The government allocated RM1.04 billion to smallholders under the 10th Malaysia Plan and RM540 million under the 11th Malaysia Plan, to undertake replanting and new planting. In addition, RM48 million was allocated to facilitate their participation in the livestock integration scheme to generate extra income.

As the next wave of technological disruption takes place in the form of Industry 4.0, we must be at the forefront of embracing new technologies to add value to the palm oil industry. For example, there is an urgent need for mechanisation, precision agriculture and automation in the upstream sector to reduce dependency on labour. Increased productivity will bring about increased returns. The government has provided funds and incentives to encourage mechanisation and automation.

The palm oil industry must also seriously consider adopting information technology, not only to ensure food chain security and tracing of the supply chain, but also toward production that is seen to be sustainable. This will silence critics.

We must harness new technologies and leverage on the experiences of the last 100 years to ensure we remain on top of the game in ensuring national and global food security. Towards this end, I would like to see the MPOB intensify its focus on commercially-driven research, so we can monetise our efforts and bring more value to the palm oil industry.

With the world population growing rapidly, there is room for natural growth of the palm oil industry. We must work hard by opening up new export markets and strengthening our position in the current markets where we have a good foothold. It is in the best interests of us all to ensure that Malaysia remains a key player in R&D and innovation, and remains committed to sustainably produced palm oil.

As we reflect on the successes and strides made over the last 100 years, we know that we have done well. However, the challenges ahead are not fully known, and the next 100 years may not be as kind. Palm oil remains the world's most widely consumed vegetable oil and we must ensure that we do our best to remain in pole position.

The government will continue to set clear and right policies with precise goals. The industry must meet us regularly and provide its fullest cooperation. Together, we will make it work – for we owe to Malaysia and Malaysians a continued prosperity and stability. ”

Malaysian Palm Oil Industry Awards, 2017

PALM OIL INDUSTRY LEADERSHIP AWARD

Tan Sri Datuk Dr Yusof Basiron

He is the face and the voice of Malaysian palm oil. He is also lauded as the epitome of industry leadership. For these reasons, Tan Sri Datuk Dr Yusof Basiron was unanimously selected to receive MPOC's annual award for outstanding contributions to the palm oil industry and the nation.

Born on June 20, 1948 in Rembau, Negeri Sembilan, Tan Sri Yusof received his early education at the Royal Military College, and obtained a Bachelor of Science degree in Chemical Engineering from the University of Canterbury, New Zealand. Not one to rest on his laurels, he pursued post-graduate degrees: a PhD in Applied Economics and Management Science at the University of Stirling, Scotland; and the MBA at the Catholic University of Leuven, Belgium.

Tan Sri Yusof started his professional career at the Rubber Research Institute of Malaysia and the Malaysian Rubber Research Development Board. In 1979, he moved to the newly-formed Palm Oil Research Institute of Malaysia (PORIM) which he had helped to establish. He served as Director-General from 1992-2000. PORIM and PORLA were merged in 2000 to form the MPOB, which Tan Sri Yusof helmed as the Director-General.

As a passionate advocate of scientific research, he worked tirelessly to increase knowledge and awareness of the nutritional and economic superiority of palm oil, to counter the smear campaigns of the 1980s.

In January 2006, Tan Sri Yusof was appointed the CEO of the Malaysian Palm Oil Promotion Council. He welcomed the opportunity to transform its role to take on a comprehensive, multi-pronged strategy encompassing marketing, promotion, branding, research and corporate social responsibility. Thus the Malaysian Palm Oil Council came into being in April 2006, with Tan Sri Yusof heading it up to his retirement on Jan 17, 2017.

In 2001, Tan Sri Yusof's astute management leadership ensured that the collapse in palm oil prices due to the global financial crisis was only a temporary setback, by introducing crucial strategies to counter this decline. He also took strong interest in managing the sustainability of the jungle eco-system, by establishing the Malaysian Palm Oil Wildlife Conservation Fund in 2006.

His knowledge, understanding and patience in conveying essential information and countering misinformation extended to social media via blogging and Twitter. And he was the final authority on facts and scientific research related to palm oil.

Tan Sri Yusof led a Malaysian delegation on two crucial occasions – to defeat the Truth in Labeling Palm Oil Bill in Australia; and to address and defeat a French attempt to impose a discriminatory tax on palm oil.

His focused professional approach and infectious enthusiasm, as well as an unwavering dedication to his work have earned him the trust and deep respect of everyone, not only in Malaysia but across the world. Tan Sri Yusof is indeed a man of great stature. He received the Globoil International Award at Globoil 2015, one of the largest trade events in the Indian vegetable oils industry. Negeri Sembilan named him the recipient of the *Tokoh Maal Hijrah* award in the same year.

Tan Sri Yusof is a Senior Fellow and past President of the Academy of Sciences Malaysia; and Fellow of the Malaysian Oil Scientists' and Technologists' Association, and of the Incorporated Society of Planters. He remains a Board Member of Bank Negara Malaysia, Sime Darby Plantation Bhd and CB Industrial Products Holdings Bhd.

Malaysian Palm Oil Industry Awards, 2017

LIFETIME EXCELLENCE AWARD – PALM OIL INDUSTRY

Mr Palaniappan Swaminathan

The award is conferred upon a unique individual in recognition of outstanding contributions to the development of the palm oil industry. This year's recipient, Mr Palaniappan Swaminathan, has given lifelong devotion to his work and has made a profound difference to many lives.

He obtained a Bachelor of Science (Honours) and Master of Science from the University of Malaya, before embarking on a fulfilling career at FELDA that has spanned 39 years to date. He also holds an ACCA Certified Diploma in Accounting, and a Certificate in Plant Breeding from the International Agricultural Centre in Wageningen, the Netherlands.

Mr Palaniappan started out as a Research Officer at Perbadanan Khidmat Felda (now known as Felda Agricultural Services Sdn Bhd) in 1978. It was here that he developed a highly-influential life's calling as a plant scientist, making an invaluable contribution to increasing the yield of planted oil palm, and in turn, the profitability of the palm oil industry.

For his dedication to advancing critical scientific research, Mr Palaniappan was made General Manager of Research and Development, serving in this capacity from 2003-2005. His research expertise extends to agronomy, breeding and processing of oil palm, cocoa, coconut, coffee, tropical fruits and herbs.

Recognised for his pioneering work on the development and implementation of advanced bio-molecular marker research, Mr Palaniappan was appointed the CEO of Felda Agricultural Services Sdn Bhd in 2006, and served until 2014. In 2016, he took over as Head of Palm Upstream Cluster in FGV, where he is responsible for all oil palm plantations and mills. He is currently the Chief Operating Officer of Felda Global Ventures Holdings (Plantation Sector).

A crowning achievement of his world-class research is the award-winning *Yangambi* oil palm planting material, which has 42% of the market-share in Malaysia. Nearly 90% of the seeds produced by Felda Agricultural Services are sold to smallholder organisations like FELCRA and RISDA, private holdings and public-listed plantations.

Mr Palaniappan initiated extensive R&D in the commercialisation of tissue culture and marker assisted breeding, and laid this critical foundation for FGV to continue its ground-breaking research in close collaboration with premier local agencies like the MPOB and international organisations. This revolutionary venture will ensure Malaysia's future planting material with superior oil yield, and specific significant traits like Ganoderma-tolerant palms.

On account of his unwavering dedication and insightful research leadership, Mr Palaniappan was made a Board Member of several companies in the Felda Global Ventures Group. He is also a Board Member of Ladang Tai Tak (Kota Tinggi) Sdn Bhd, Turich Resources Sdn Bhd and MYBiomass Sdn Bhd.

Mr Palaniappan was a Member of the RSPO Board of Governors and a past Member of the Palm External Advisory Panel at P&G. He is a Member of the Main Research and Development Committee of the Malaysian Palm Oil Association (MPOA); a Council Member of the MPOA; a Committee Member of the MPOB Task Force for Ganoderma and Bud Rot Disease; a Member of the Programme Advisory Committee Techno-Economics Sub-Committee; and Committee Member of the Kuala Muda Estate Owner's Committee, for Felda Holdings Bhd.

This extraordinary man of science was also a Member of the Advisory Committee for Biotechnology and Molecular Science at University Putra Malaysia; a past Member of the Board of Advisors for the proposed Kuliyyah of Agricultural Science and National Resources at International Islamic University Malaysia; as well as a past Member of the Consultative Committee on Sustainable Palm Oil Production Project.

EU Sustains Squeeze on Palm Oil

More measures in store

The palm oil industry faces a series of interconnected threats in Europe. These stem from fears about the alleged environmental and social impact of oil palm plantations, as well as from lobbying designed to champion the interests of oilseed competitors.

Although we are aware that many claims are flawed, the measures being planned by the EU may affect Malaysia's market access in countries where trade sanctions can be easily manipulated and imposed.

The anti-palm oil campaigning by protectionists is creating a real impact in Europe. Consumers are being encouraged to demand proper labelling of food products. Campaigns are targeted at lawmakers on issues involving labelling, biofuels, food and deforestation, among others. As politicians are sensitive to public pressure, and to consumer opinions and demands, they feel compelled to act against the palm oil industry.

Should EU member-states impose trade barriers against palm oil imports, the obstacles will be unhealthy for the development of free international trade. For economic and social reasons, it is vital to preserve a healthy trade flow between Malaysia and Europe.

Questions over the sustainability of the palm oil industry have been in the spotlight for several years, particularly in Europe where environmental campaigners have been most energetic.

Early this year, a number of recommendations were made in the European Parliament Environmental Committee's (ENVI) Report on Palm Oil and Deforestation:

- Certification: 'Consider applying different Customs duty schemes reflecting the real costs associated with [the] environmental burden; consider the introduction and application of non-discriminatory tariff and non-tariff barriers based on the carbon footprint of this product

- Biofuels: 'The [European] Commission to take measures to phase out the use of vegetable oils that drive deforestation, including palm oil, as a component of biofuels preferably by 2020'

- Trade Agreements: 'Include binding commitments in sustainable development chapters of its trade and development cooperation agreements with a view to preventing deforestation, in particular, an anti-deforestation guarantee in trade agreements with palm oil producing countries'

- Customs: 'Consider applying different Customs duty schemes reflecting the real costs associated with [the] environmental burden; consider the introduction and application of non-discriminatory tariff and non-tariff barriers based on the carbon footprint of this product

The recommendation on biofuels may be close to becoming a reality. On Oct 23, the ENVI voted to ban palm oil biofuels from Europe from 2021, as part of the EU's Renewable Energy Directive (RED). It further included the following amendments:

- The contribution from biofuels and bioliquids produced from palm oil shall be 0% from 2021.

- Other food crops are allowed to continue to 2030.

- The contribution from biofuels and bioliquids, as well as from biomass fuels consumed in transport, if produced from food or feed crops, shall be no more than 7% of final consumption of energy in road and rail transport.

- Advanced Palm Oil Biomass will be rejected.

Following the vote in the Industry, Research and Energy Committee of the European Parliament on Nov 28, Europe is moving one step closer to banning palm oil biofuels.

The main point to note is that, while other food-based biofuels will be phased out by 2030, palm oil biofuels will be banned from 2021.

The rapporteur for the Report, MEP Bas Eickhout of the Netherlands, has reportedly said: "I am delighted that the Parliament is demanding an end to the use of palm oil as a biofuel. Not all biofuels have the same environmental impact and EU policy needs to make a better distinction between the good and the bad. We have to prevent food and feed crop biofuels end up displacing food production and [having] a negative climate impact sometimes even exceeding fossil fuel emissions."

Harsh consequences

Let us be reminded that the increase in global population – estimated at more than 9 billion by 2050 – will also require expanded energy sources.

Yet, palm oil producers are facing a situation where political pressure is being increased in the EU to act against the commodity, while legislation to curb the entry of palm biodiesel is moving quickly. This pressure could very well be extended to all palm oil imports in future.

It was in late 2006 that palm oil was spotted on the political radar of the EU institutions in Brussels. The catalyst for this shift was biofuels. The EU believed this would provide an outlet for farmers facing the dismantling of agricultural subsidies; reduce the EU's dependence on volatile supplies of fossil fuel; and enable the EU to meet an ambitious target of reducing greenhouse gas emissions by 2020, by 20% compared to 1990 levels.

The RED was thus conceived and entered into force on June 25, 2009. Since then, this has been the main regulatory tool used by Brussels to regulate the biofuels sector.

It sets targets for each member-state in relation to renewable energy use. For example, as part of the 20% overall renewable energy target, a minimum 10% use of renewable energy is required in the transport sector.

Almost all of this 10% comes from biofuels – and a large percentage has come from palm biodiesel to date. This element in the RED has driven larger exports from Malaysia to the EU.

Palm biodiesel is the renewable transport fuel of choice for many across Europe.

But since 2009, various measures have been applied to ban palm oil biofuels. The latest (third) revision to the RED is underway in Brussels, and is at a very advanced stage of the legislative process. Once again, palm oil is being targeted.

Although we know policy-making in Europe is complex and not always transparent, Malaysia must use all the tools at its disposal to ensure a balanced outcome. We should not assume the odds are stacked against us. Rather we must play the game, and play it better than our opponents, by using our networks to assess what is needed and when, and then to deliver.

We must carry on communicating a clear position on sustainability and address both legitimate concerns and misconceptions with policy makers, downstream users and the media, in order to minimise the risk of damage to our traditional markets.

Our engagement thus far with European politicians has taught us that we are facing a real lack of awareness about the palm oil industry, not just in terms of its sustainability, but as a whole.

The politicians must be made to understand that there is another side to this debate – that socio-economic development and poverty alleviation strategies in palm oil producing countries will be affected when exports of a key commodity are curbed.

Malaysia also needs to play to its strong points, as there is no value in mere defensive responses to negative claims.

The EU, for example, needs Malaysia as a trading partner. Many of its member-states have significant exports to Malaysia. It would be hypocrisy for them to ban palm oil imports, and then expect us to continue buying their products. This is among the strongest cards that we can play, and its impact is one that the EU will easily understand.

It is the rational interests of everyone in Europe to retain the import of palm oil biofuels. It helps European customers and consumers, it helps Malaysian producers, and it is good for the wider trade between the EU and Malaysia.

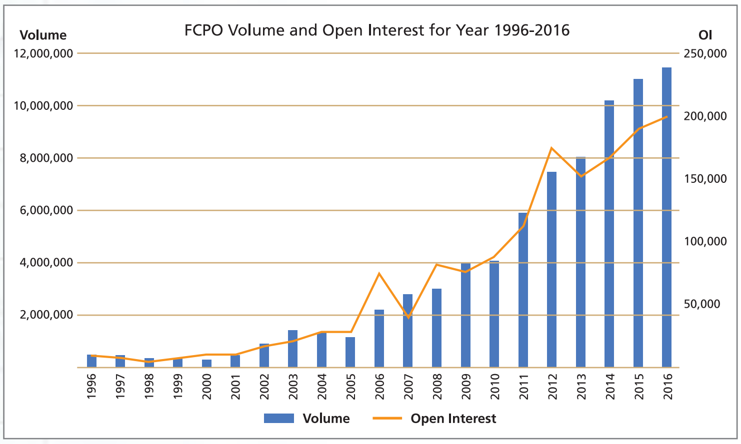
However, political decisions in Brussels are not always made on a rational basis: there are too many vested interests. If Malaysia does not exert sufficient pressure to protect its social and economic interests, then it will be small farmers who will mainly pay a terrible price when revisions to the RED take effect.

Belvinder Sron
Deputy CEO, MPOC

Crude Palm Oil Futures

Bursa Malaysia Derivatives (BMD) Malaysia Ringgit (MYR) denominated Crude Palm Oil Futures (FCPO) contract is a global benchmark pricing of Crude Palm Oil market. Since its launch in October 1980, it has become the reference point for major global vegetable oils and fats market players.

The trading volume had increased more than 4 times in 10 years from 2.8mil contracts / 70mil MT in 2007 to 11.4mil contracts / 285 mil MT in 2016. In January - September 2017, we have seen a 4% increase in contracts traded compared to January-September 2016. The market segment trading FCPO consist of 56% institutions, 28% Professional Traders, and 16% retailers.



To compliment FCPO contract, Bursa Malaysia Derivatives had launched the Options on Crude Palm Oil Futures (FCPO) on 16 July 2012. Options are highly versatile instruments that allow a myriad of trading strategies which satisfy different risks appetites and hedging requirements.

In Year 2016, OCPO trading volume was at the historical high. A total of 40,120 lots / 1mil MT was traded. Majority of the trades are done by Institutional Clients through our Negotiable Large Trade (NLT) Facility. The Exchange is actively sourcing for market makers to provide on screen liquidity. With market makers on board, we do foresee that most of the trades will eventually translate into on screen trading and these will then attract the professional traders and retailers to trade OCPO.

'Apply Ethics, Not Technicalities'

In selecting Malaysian palm oil

It is well known that palm oil has faced significant problems in Europe, including adverse public opinion influenced by negative labelling of food products. What is less well known is that such influences are creeping into Malaysian commercial life as well, with local buyers now seeing the undermining of palm oil on supermarket shelves.

It is the responsibility of all of us to hold to account those companies that challenge the national interest in this way and deliberately bring down palm oil, which is a key pillar of the Malaysian economy.

We must remember why this is necessary. Palm oil is one of Malaysia's great national successes – and our largest single export. Millions of our citizens rely on this miracle crop for their income and livelihood, and to provide a better life for their children. Our rural areas have been transformed beyond recognition into oases of prosperity and productivity by the palm oil sector.

For it to continue to succeed, it's important that future generations of Malaysians do not fall prey to the negativity and fake news that has been directed at palm oil elsewhere. An ongoing example is the proliferation of the 'No Palm Oil' advertisement or label on food products – often accompanied, for example, by the deliberate promotion of competing oils. Such denigration has had a damaging effect on the sale and use of palm oil in Europe – and this could also happen in Malaysia unless we are vigilant and act quickly.

First, we must focus on education. Younger Malaysians should be provided with data and facts about the benefits of palm oil, to ensure that they have the knowledge and understanding to reject the messages of naysayers. This is the responsibility of all of us – government, industry, media, parents, and so on.

By working together and sharing the burden of educating our young, we can ensure that respect and reverence for the benefits of palm oil are passed on down the generations. For example, I recently met with a group of researchers from the US who are developing a drug to fight Alzheimer's disease; the main component of the drug is palm kernel oil.

Weak arguments

However, education on its own may not suffice. The anti-palm oil label seen in Malaysian supermarkets or online is an unacceptable put-down of one of our most important industries. We must look closely at what proactive steps can be taken, whether in the form of consumer actions to send a message to the companies involved; or government action to address the root of the issue.

The Danish dairy goods brand *Lurpak* provides a prominent example. Its product label features the presence of olive oil – but when an additional sticker is peeled back, a 'No Palm Oil' symbol is displayed.

Lurpak's parent company, Arla Foods, is a member of the Roundtable on

Sustainable Palm Oil (RSPO), whose rules include a commitment by members not to besmirch or undermine sustainable palm oil production. *Lurpak's* packaging is a clear move against palm oil and openly promotes an alternative oil.

This is not the first time that a RSPO member-company has taken such action. The French supermarket chain Casino has been using the 'No Palm Oil' label for years. The RSPO's responses have been inadequate and ineffective in preventing the blatant breach of its rule.

The companies may argue that use of the 'No Palm Oil' label is not an illegal activity; that their product formulations are a matter for them alone; that they are technically not in breach of the RSPO rule. Such a technical argumentation does not exonerate their actions, and neither does it excuse the RSPO's feeble responses to date.

The companies are hiding behind the RSPO to continue their campaign against palm oil. If the RSPO is serious about defending palm oil, then this shield must be taken away. The time for words is over; the time for action is here.

My Ministry looks beyond simply the technical question of the labels. Companies such as those making *Lurpak* products have exercised a free choice in entering the Malaysian market. In seeking the trust and custom of hard-working Malaysians, they have a responsibility to ensure that their actions are within the right spirit – and not merely the technical letter – of the law.

There is an ethical responsibility alongside the legal one. When over one million Malaysians – including 650,000 small famers – rely on palm oil for their livelihood, is it ethically defensible for a company operating in Malaysia to denigrate palm oil? My answer is 'No'.

Of course, the majority of these companies are welcome, as they provide products and services that Malaysians want and need. Most corporations are law-abiding and respectful. We must be clear, though. Just as we welcome and praise the majority who act correctly, we will denounce those who undermine Malaysian interests.

The government has made it clear that we will defend the rights of oil palm small farmers against discrimination from abroad. The Prime Minister has stated that we will initiate retaliatory measures against countries that discriminate against palm oil and palm oil-based products.

We must be as watchful at home as we are abroad. Unfair or illegal discrimination by foreign companies operating within our borders cannot be condoned. To the companies that have chosen to denigrate palm oil, my advice is simple: stop doing so and work with us in addressing your concerns in a sincere manner.

Datuk Seri Mah Siew Keong
Plantation Industries and Commodities Minister
Malaysia

This is a slightly edited version of a commentary published in the Malaysian media.

‘No’ to Anti-Palm Oil Label

Within weeks of a strongly-worded media commentary (see page 19) by Datuk Seri Mah Siew Keong, the Malaysian Plantation Industries and Commodities Minister, Denmark’s Arla Foods responded to his objection to the ‘No Palm Oil’ label on *Lurpak* dairy products. At a meeting on Oct 5, it pledged to withdraw all its products carrying the label, from sale in Malaysia, within 60 days.

In an interview, Datuk Seri Mah elaborates on this and the core issues that he raised in his commentary.

Why is the ‘No Palm Oil’ label on food products such a major concern?

The label is meant to mislead the consumer. It is not affixed to products because of a legal requirement; neither does it provide any relevant information to the consumer. It is there for only one reason – to imply that, because a product does not contain palm oil, the product is somehow nutritionally or environmentally ‘superior’. This is false and unacceptable, as it attempts to mislead consumers.

The label also perpetrates a huge injustice against palm oil producers, including smallholders, because it builds suspicion and negative sentiment in the minds of consumers. We have already seen this in Europe.

If this advertising narrative is not nipped in the bud, it could become ‘received wisdom’ even though it is false. The label is therefore a serious threat to the continued stability and success of Malaysian palm oil. This is why the government is committed to removal of the label.

What alerted you to the problem in Malaysia with the *Lurpak* brand of products?

The Malaysian Palm Oil Council (MPOC) was extremely diligent in alerting me to the label on packs of *Lurpak Spread*. The MPOC acted correctly, so that the government could take action.

Arla Foods is a guest in our country, and must be respectful of our rules and national interests. The Embassy of Denmark and Arla Foods contacted my Ministry to explain that they heard and understood my message [in the commentary]. A meeting was arranged at the Ministry on Oct 5, to discuss how Arla Foods would implement the government’s demand to remove the label.

What was agreed at the meeting?

I set out the government’s position very clearly, that the label must be removed. This was motivated by the need to protect Malaysian oil palm small farmers and all those in the country who depend on palm oil production.

More than one million people directly or indirectly rely on palm oil for their income and livelihood. Palm oil remains an important lifeline for rural communities, as 650,000 smallholders depend on it and produce 40% of the national output. We cannot accept moves by foreign companies that come to Malaysia and denigrate the product.

Arla Foods has agreed to remove the label on its products [sold in Malaysia] within 60 days. I welcome this move and look forward to the policy being fully implemented. The meeting was very successful, and the outcome will benefit our smallholders.

Do you have a message for other food companies operating in Malaysia?

Yes. Arla Foods is not the only foreign company here that has demonstrated issues with palm oil, whether through labelling or other means. The government is clear that this will not be tolerated. Our highest priority is to protect and defend the best interests of the people of Malaysia, including all those who work in the palm oil sector.

To all those companies operating in Malaysia, I have a simple message: you are welcome; we want you to operate and sell your products here but, in turn, you must be respectful of our products, our people and, yes, our palm oil.

As a reminder, Deputy Prime Minister Dato' Seri Dr Ahmad Zahid Hamidi said recently that the government would not be silent on any campaign against palm oil and would give a fitting response to those who harm the industry.

He has called on everyone to respond rationally to negative campaigns against palm oil, with facts and figures on allegations of deforestation and destruction of wildlife habitats. He has also pointed out that the industry is facing unprecedented challenges, particularly in the European Union, which is systematically side-lining palm oil.

The use of the 'No Palm Oil' label occurs mainly in Europe. How do you plan to tackle the situation?

My Ministry has been addressing this issue head-on. I met with the EU Commissioner and several members of the European Parliament during my most recent trip to Europe. At the same time, the MPOC has been conducting effective campaigns against the anti-palm oil stance in Europe.

More can and must be done. Many of the companies using the label are also members of the Roundtable on Sustainable Palm Oil (RSPO). One of its rules states that the label is not allowed, so this must be enforced. The RSPO must ensure that none of its member-companies affix negative labelling.

Will the Malaysian Sustainable Palm Oil (MSPO) certification help with removing negative labelling?

Absolutely. The MSPO is a game-changer. It will allow smallholders to achieve certification, which is an important

and necessary advance for the Malaysian palm oil sector. It will ensure that smallholders have an equal opportunity to participate in a certification scheme and gain market access.

The MSPO is also a message to the world. It is a mandatory scheme, undertaken by the government and designed using international best practices. The MSPO illustrates Malaysia's commitment to leading the world in palm oil sustainability.

At the meeting on Oct 5, Arla Foods committed to working with the government on the MSPO. The Danish Embassy stated that it supports sustainable palm oil production. It undertook to continue a constructive dialogue with Malaysia in finding long-term sustainable solutions of high global standards for the benefit of palm oil consumers, farmers, the industry and other stakeholders.

It is important that the MSPO gains such wider acceptance: this will be essential for delivering full value to our smallholders.

Source: The Star, Oct 14, 2017

This is an edited version of the article.

Palm Oil Use Fades in Norway

Active social stance

Norway, with a population of about 5.2 million, is bordered to the east by Sweden and on the northeast by Finland and Russia. The Human Development Index of the United Nations Development Programme has classified Norway for many years as the world's most advanced country. According to the Democracy Index of the British magazine *The Economist*, it is also the most democratic state.

Norway enjoys a prosperous mixed economy with a vibrant private sector, a large state sector, and an extensive social safety net. Through comprehensive regulation and large-scale public enterprises, the government controls key areas, like the petroleum industry.

Norway is the world's third-largest exporter of natural gas and the seventh-largest exporter of oil. The latter commodity provides the lion s share of export revenue and represents about 30% of government revenue. The country is also richly endowed with natural resources such as hydropower, fish, forests and minerals.

After solid GDP growth from 2004-07, the economy slowed in 2008, and contracted in 2009, before returning to positive growth from 2010-14. The government budget remains in surplus.

However, lower oil prices in 2015 may cause the economy to contract as higher production costs in the North Sea deter investment. In anticipation of an eventual decline in oil and gas production, Norway saves state revenue from the petroleum sector in the world's largest sovereign wealth fund – the Government Pension Fund Global. In early 2017, it was valued at over US$900 billion.

The fund is managed by Norges Bank Investment Management. In its 2016 Fund Report, published in March 2017, it states: 'The production of palm oil in Malaysia and Indonesia is widely recognised as a major contributor to tropical deforestation. Our initial analysis of the sector resulted in divestments from a total of 29 palm oil companies between 2012 and 2015. The divested companies were considered to produce palm oil unsustainably.'

In 2016, the decision to stay divested was confirmed. The move may have an adverse impact on use of conventionally produced palm oil.

As a country surrounded by the North Sea, Norway differs from other European countries through the dominant role fish oil plays in the economy. Its production volume is second to soybean oil. Moreover, after rapeseed oil, fish oil is the second-biggest import.

However, the real news regarding the domestic oils and fats sector is the huge drop in palm oil imports. In 2016, the import volume was just a fraction of the 2009 level. This development must be interpreted as a manifestation of the green conscience of Norwegians, who believe the claim that palm oil is 'bad for the natural environment'. Over the same period, rapeseed imports more than tripled (Figure 1).

As a result, the use of palm oil has all but disappeared in Norway.

'Greener' Norway

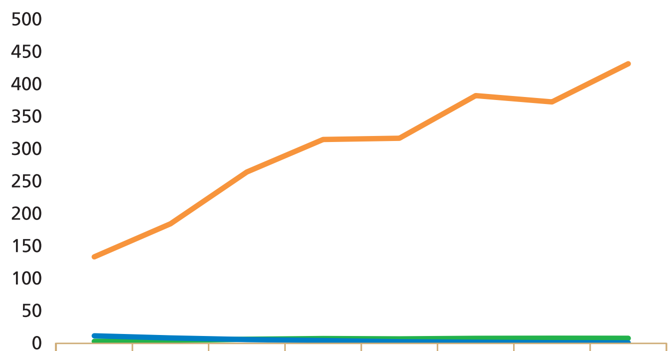
Norwegians are proud of their country s pristine environment, in particular the fjords and waterfalls. They have a high regard for preserving the global environment as well. The observation that Norway is even 'greener' than the Netherlands or France has been borne out in the active anti-palm oil stance that has been adopted.

For example, Clarion Hotels has declared itself "100% palm oil-free". It is part of the Nordic Choice Hotels Group headquartered in Oslo and operating more than 180 hotels across Scandinavia and the Baltics.

Under the headline 'Bye, bye palm oil!' an article on its website quotes Katalin Paldeak, the Group Director of Clarion Hotels in the North, as saying: "… since the 1st of May 2013, all 23 Clarion Hotels in the Nordic region are palm oil-free with regard to restaurant items and products for sale. The reason for this is the increasingly widespread devastation and destruction of the rainforest as *[sic]* the production of palm oil causes.

"We cannot in good conscience offer our guests food that is made from products that contribute to the devastation of rainforests and people being driven from their homes. Until we can ensure that [what] the palm oil suppliers are seeking to provide us with is being produced in using conscientious and responsible methods, we will pull the emergency brake and remove it from our restaurants, from our sales and from our mini-bars."

Figure 1: Norway: Vegetable oil imports (´000 tonnes)



	2009	2010	2011	2012	2013	2014	2015	2016
Palm oil	11.8	8.5	6	4.5	2.7	1.9	1.2	1
Rapeseed oil	133.7	184.8	264.7	314.9	316.8	382.6	372.9	431.8
Sunflower	3.2	4.6	6.5	7.6	7.1	7.9	8.1	8

Source: Oil World 2017

Likewise, the industry news service *Food Navigator* reported on June 15, 2016, that Norway has become the latest country to sign the Amsterdam Declaration of December 2015. Under this, several European countries have pledged to switch to 100% sustainable palm oil by 2020.

The preamble of the Declaration states in part: 'Europe is the second-largest global import market for palm oil and home to some of the world's biggest brands and companies. Europe can be an important 'game changer' when it comes to a sustainable palm oil supply chain for the world.'

All this goes far beyond symbolism and must be taken seriously, as the divestments of the Government Pension Fund Global make painfully clear. The Fund has already ended its engagement at Korean conglomerate Posco, owner of Daewoo International, on the basis that Daewoo owns an Indonesian company that is 'cutting down tropical forests' to plant oil palm.

If Norway provides any indication, the time when consumers and corporations across Europe start boycotting conventionally produced palm oil on a massive scale may not be far away. The palm oil industry should take heed of this.

MPOC Brussels

Poland and Palm Oil: A Promising Link

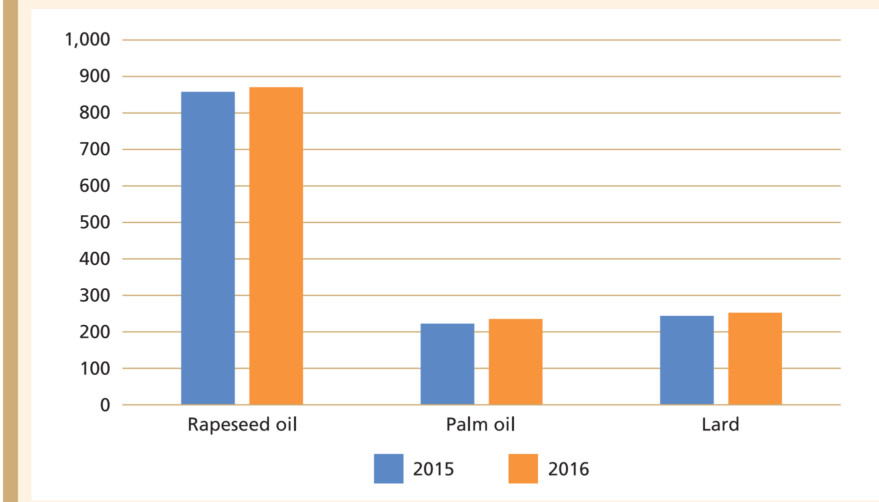
Lucrative market

Poland has come a long way since 1989, when its first free elections were held since the Second World War. With a population of close to 40 million and the GDP at purchasing power parity of around US$800 billion (equivalent to US$21,000 per capita, according to 2012 estimates), the country is ranked sixth in Europe in terms of population and economic prowess.

Poland's economy is considered to be one of the healthiest of the former Eastern Bloc countries. Its growth rates over the past few years have been among the highest in the EU.

There remains room for improvement, of course. Per capita income is still below the EU average. Other problems persist, including an inefficient commercial court system, rigid labour laws and heavy taxes.

Figure 1: Poland – Oils and fats consumption, 2015 & 2016 (thousand tonnes)



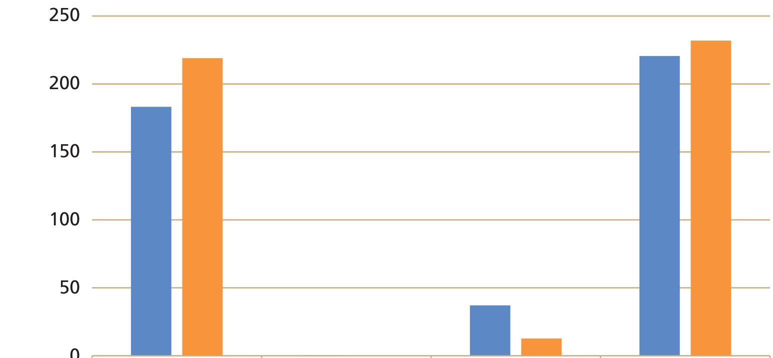
Source: Oil World Annual 2017

A look at the oils and fats sector reveals that rapeseed oil is the frontrunner in terms of production and consumption in Poland. According to *Oil World*, the country consumed more than 870,000 tonnes of rapeseed oil in 2016 (Figure 1). Palm oil contributed almost 253,000 tonnes in 2016 – on par with lard, which has traditionally been second-highest in the domestic consumption rankings.

Palm oil is also the primary vegetable oil import into Poland, with Malaysia being the leading exporter. While the bulk of the palm oil imports appear in *Oil World* statistics as originating in the EU-28 (mainly Germany and the Netherlands), Malaysia is the only producer that also plays a role as direct exporter to Poland (Figure 2). However, recorded quantities in 2016 were only a third of the 2015 figures.

MPOB numbers show a decline in trade activity as well (Figure 3). However, the much lower 2016 total is due to the disappearance of the 'other products' category in 2016. The rest grew year-on-year.

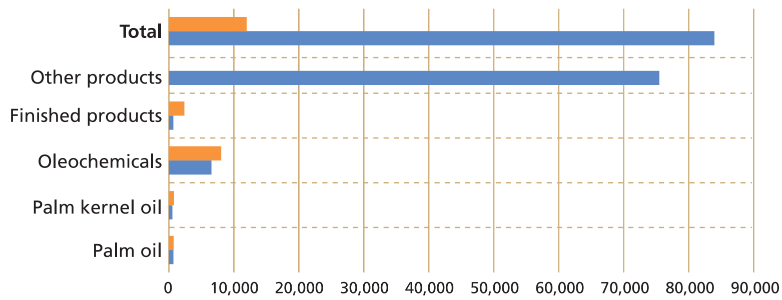
Figure 2: Poland – Palm oil imports, 2015 & 2016 (thousand tonnes)



	EU-28	Indonesia	Malaysia	Total
2015	183.2	0.3	37.1	**220.6**
2016	219	0.2	12.7	**231.9**

Source: Oil World Annual 2017

Figure 3: Poland – Palm oil imports from Malaysia, 2015 & 2016 (tonnes)



	Palm oil	Palm kernel oil	Oleochemicals	Finished products	Other products	Total
2016	728	795	8,052	2,382	0	**11,957**
2015	696	540	6,549	686	75,453	**83,924**

Source: MPOB

Good position

Poland s generally good infrastructure makes it a preferred place for international trade. In particular, the large and modern port of Gdansk on the Baltic Sea is in a position to play a vital role. Strategically located at the centre of Europe, this port lends itself to being the gateway for palm oil imports – not only to Eastern and Central Europe, but to the EU as well. Its neighbour to the west is Germany, the European economic powerhouse. The distance between the two capitals – Berlin and Warsaw – is a mere 550km.

Poland is a potentially lucrative market for Malaysian palm oil, although the commodity faces stiff competition from rapeseed oil and sunflower oil. Other hurdles to overcome are the poor awareness of the Polish consumer regarding the benefits of palm oil; as well as apprehensions connected to environmental issues. Malaysian companies stand to benefit by stressing the positive aspects of palm oil with regard to both nutrition and sustainability.

Poland's success in its journey towards joining the ranks of modern, market-based economies over the past 25 years has been remarkable. Much has been achieved, and there are no current signs of the country slipping back into economic turmoil.

The incomes and appetites of citizens are growing. The country's geopolitical positioning between the East and West is ideal. The image of Malaysia is positive, and the relationship between the two governments is good. Opportunities therefore abound for palm oil to reinforce itself as a serious rival to the conventional oils and fats consumed in Poland.

MPOC Brussels

Foray into Romania?

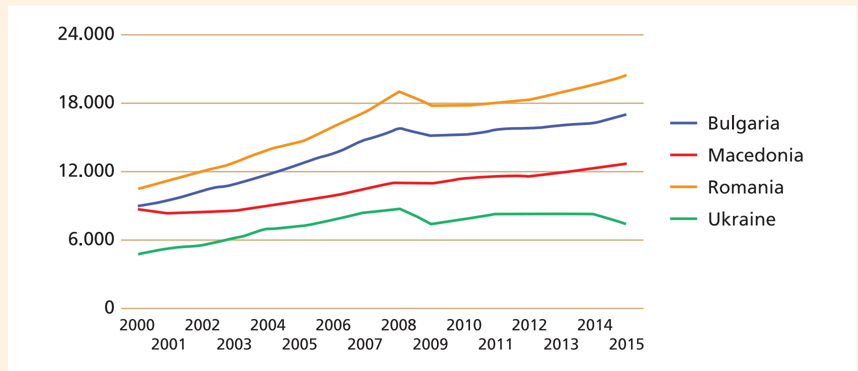
Prospects for palm oil

In 1862, the principalities of Moldavia and Wallachia formally united under the name 'Romania'. The country gained Independence in 1878. In 1947, however, a Communist 'people's republic' was formed during Soviet occupation after the Second World War.

In 1965, the dictator Nicolae Ceausescu took power. After he was overthrown in 1989, former Communists dominated the government until 1996, when they were swept from power. Romania joined NATO in 2004 and the EU in 2007.

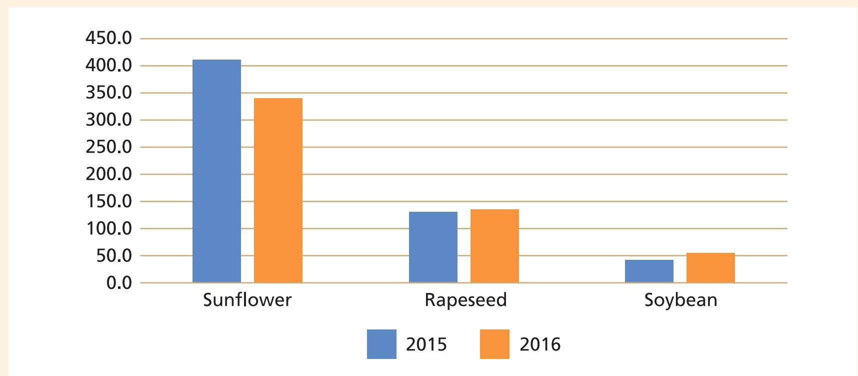
By the end of the Ceausescu dictatorship, the Romanian economy was in extremely poor shape. But, thanks to the support of international donors such as the International Monetary Fund, the World Bank and the EU, Romania has succeeded in revitalising its economy. It achieved 3.7% growth in 2015 and 4.8% in 2016. Still, with 55% of the average EU per capita income (2014), it is the EU's second-poorest country after Bulgaria (Figure 1).

Figure 1: Romania – Comparison of GDP per capita, PPP (US$)



Source: World Bank

Figure 2: Romania – Production of vegetable oils, 2015 & 2016 ('000 tonnes)



Source: Oil World Annual 2017

Vegetable oils market

Sunflower oil is by far the dominant commodity in the Romanian market (Figure 2). It is a staple in every kitchen. Palm oil is a major import, surpassing sunflower oil in 2013 (Figure 3).

In 2016, Malaysia sold 9,300 tonnes of palm oil to Romania (Figure 4). Interestingly, Bulgaria supplied 11,000 tonnes.

Malaysian Palm Oil Board statistics show a slight increase in the export volume of palm-based products, except palm kernel oil (Figure 5).

In 2016, biodiesel exports were not registered after having recorded almost 3,000 tonnes in 2013. Perhaps this was an indication of higher domestic production. The global agribusiness and food company Bunge Limited has sites in the cities of Buzau and Lehliu; it claims to be 'the principal trader in the local market and a leader in bottled oil and biodiesel'.

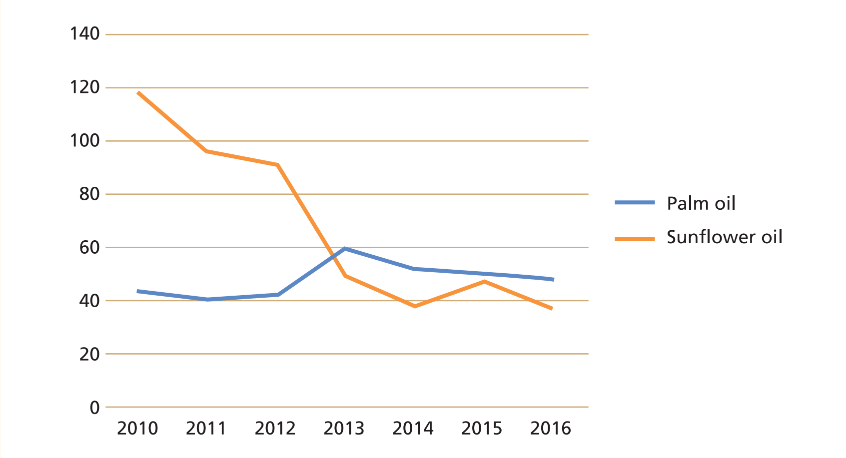
Given its relatively sizeable population, impressive growth rates for a few years now, and increased foreign direct investment into vegetable oil infrastructure, it appears that the volume of Romania's palm oil imports has not lived up to the market potential.

Romania is uniquely positioned as a gateway to Eastern Europe. It is a redistribution hub for markets to the west via Constanta, the biggest port on the Black Sea, as well as the navigable Danube River.

The movement of goods through Constanta is growing by about 8% annually. In addition, Rotterdam, the largest edible oil processing and redistribution hub in Europe, is an important partner city of Constanta. All this bodes well for palm oil sellers intending to venture into Romania.

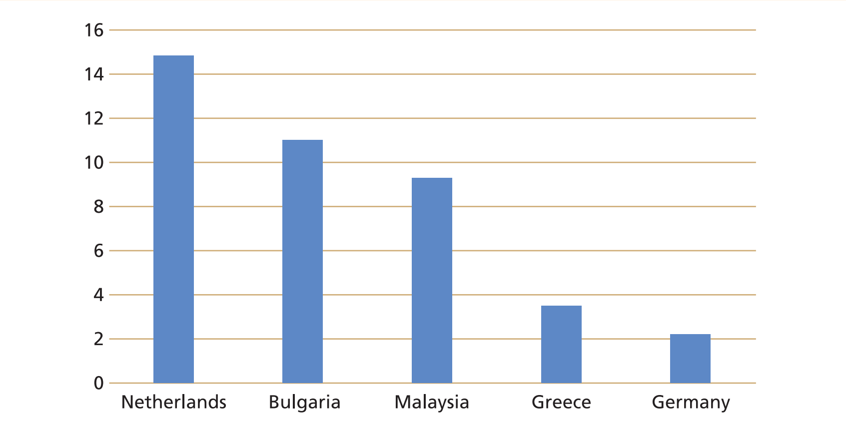
MPOC Brussels

Figure 3: Romania – palm oil and sunflower oil imports, 2010-16 ('000 tonnes)



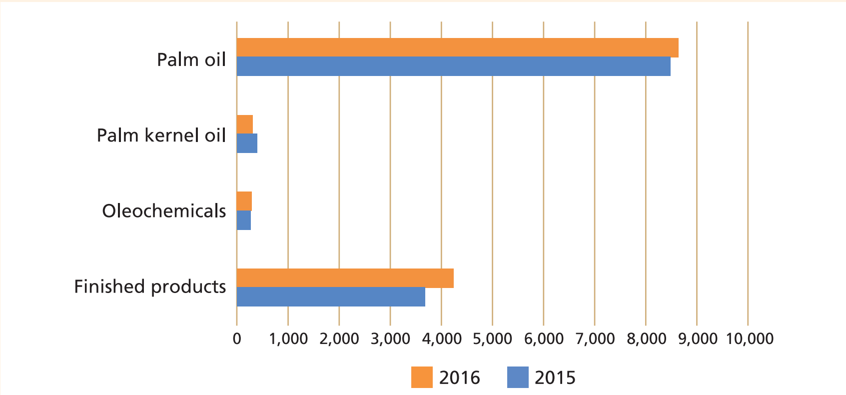
Source: Oil World Annual 2017

Figure 4: Romania – Leading palm oil suppliers, 2016 (thousand tonnes)



Source: Oil World Annual 2017

Figure 5: Romania – Malaysian palm oil imports by product, 2015 & 2016 (tonnes)



Source: MPOB

QUICK CALCULATOR FOR PESTICIDES

App for oil palm planters

The job scope and responsibilities of planters have increased dramatically in recent years – all too often, they have to manage a big land area, with lower skilled and less experienced workers. They also have to satisfy the interests of stakeholders, cope with social welfare issues, respond to Environment Safety Health and sustainability auditors, and attend meetings regularly.

As a result, millennials – identified as those born between 1980 and 1995 – are not generally attracted to plantation jobs, with the demanding workload and challenges of multitasking in an outdoors environment.

However, the use of technology and smart phones could counter such reluctance, and enable them to work effectively and efficiently. Tools such as Apps, sensor technology and intelligent logarithm software will assist in quick reference and swift decision-making in daily estate operations.

To help with weed management and Pest and Disease (P&D) issues, for example, I have developed an Oil Palm Pesticides Calculator App. This is available free of charge in the Google Play Store. Just search for 'Oil Palm Pesticides Calculator App', click on it and download.

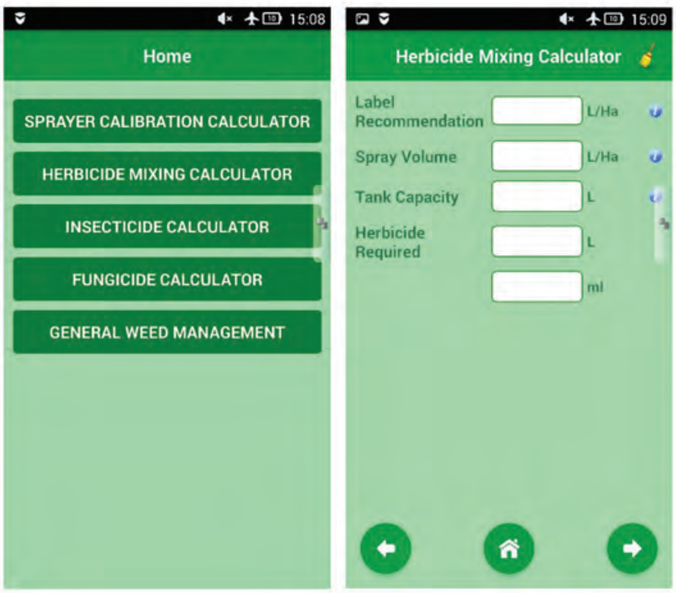
The App can be used even when there is no data or Internet connection. It is divided into five sections. The first four are separate calculators for Sprayer Calibration (add the required information to the column in the blue icon); Herbicide Mixing, Insecticide Mixing and Fungicide Mixing.

Calibration of spray equipment and application of the correct dose of pesticides are important for a satisfactory 'kill'. This will not only reduce over-use of pesticides, but will save costs as well.

The final section in the App is a guide to weeds and P&D management, with the recommended rate being based on general conditions. To control tough problems, the user should consult the R&D department, General Manager or Plantation Advisors.

Devarajen Rajagopal
Developer, Oil Palm Pesticides Calculator

The author is not responsible for any liability, loss of profit or other damage caused directly or indirectly by the guidelines, techniques, recommendations or information in this article.



Derailing EU Plan to Ban Palm Oil Biofuels

Malaysian small farmers take action

Malaysia's small oil palm farmers have combined forces to contest another EU attempt to ban palm oil biofuels. A new campaign has released a digital advertisement to appear across Europe in December, to reject an unjust and discriminatory move to ban palm oil biofuels under the Renewable Energy Directive.

The ban would sentence 3.2 million Malaysians to renewed poverty, noted Faces of Palm Oil, a grouping of agencies that advocate the cause of oil palm smallholders. It comprises the National Association of Smallholders (NASH), Federal Land Development Authority (FELDA), Sarawak Land Consolidation and Rehabilitation Authority (SALCRA), Dayak Oil Palm Planters Association (DOPPA) and the Malaysian Palm Oil Council.

Faces of Palm Oil demands that the European Council rejects the proposal of the European Parliament, and reaffirms Europe's commitment to Southeast Asia, Malaysia and small oil palm farmers.

NASH president Dato' Haji Aliasak Haji Ambia said: "Palm oil has allowed us, the rural poor, to develop our own land, lift ourselves and our families out of poverty, and take control of our own economic destiny. A ban on palm oil biofuels would be an all-out assault against the hundreds of thousands of small farmers across Malaysia. The EU will force farmers back into poverty if it bans palm oil.

"NASH and Malaysia's small farmers will not stand by while Europeans sell commercial products to Malaysians on the one hand, and cut our economic lifeline on the other. It is unacceptable behaviour: the move to ban palm oil biofuels must be stopped immediately."

FELDA chairman Tan Sri Shahrir Abdul Samad said: "The proposed ban is discriminatory and must be removed. The 112,635 FELDA small farmers and their families demand clear and direct clarification from the EU that palm oil biofuels will not be banned. The Malaysian palm oil industry is an economic lifeline for small farmers; it has lifted their families from poverty to prosperity. I will continue to defend their interests and ensure justice for them in the global markets."

SALCRA chairman Datuk Amar Douglas Uggah Embas said: "It is unacceptable that European politicians are preparing to put at risk the prosperity, safety and health of 3.2 million Malaysians. Tens of thousands of SALCRA small farmers and their rural communities will suffer if the EU bans palm oil biofuels. We will not allow this to happen."

DOPPA president Dr Richard Mani said: "Indigenous peoples in Malaysia will suffer if the EU bans palm oil biofuels. Indigenous communities have used palm oil to lift ourselves and our families out of poverty, and build new hope for the future. The EU proposal puts all of that at risk and undermines the UN's Sustainable Development Goals. On behalf of the Dayak planters of Malaysian Borneo, I urge the European Council to abandon this cruel and heartless plan that will only bring poverty back to Malaysia."

Source: Faces of Palm Oil, edited press release, Dec 19, 2017

Indonesian biodiesel consumption to drop in H2 2017?

Dono Boestami, chief executive at the government agency Indonesia Estate Crop Fund, expects a slowdown in domestic biodiesel consumption in the last six months of 2017 due to "some technical difficulties".

In the first six months, domestic biodiesel consumption reached 1.7 million kilolitres. However, this is expected to fall to 0.9 million kilolitres in the second half of the year, resulting in an estimated total of 2.5 million kilolitres in 2017. In the near future, Boestami wants to boost the consumption volume to 3.5 million kilolitres per year.

Through government sponsored programmes, local authorities encourage the production (and consumption) of biodiesel. Considering that Indonesia – which is Southeast Asia's largest economy – is also the world's biggest palm oil producer, it can produce palm biodiesel in a relatively cheap way.

Moreover, biodiesel consumption eases Indonesia's rising reliance on imports of crude oil-based fuel and curbs the country's greenhouse gas emissions. In the B20 biofuels programme that was launched in 2016, the government set a minimum 20% blend of bio-content in diesel fuel, up from 15% in 2015.

Meanwhile, Fadhil Hasan, board member of the Indonesian Palm Oil Association, said palm oil production will increase to 38.5 million tonnes in 2018, up from an expected 36.5 million tonnes in 2017.

Indonesia's palm oil exports are expected to rise to 29 million tonnes in 2018, from an expected 28 million tonnes in 2017. Crude palm oil prices are likely to average between US$700 and $710 per tonne in 2017 on a CIF Rotterdam basis.

Source: www.indonesia-investments.com, Nov 3, 2017

US anti-subsidy duties hit biodiesel imports

In a final ruling released on Nov 9, the US Commerce Department set anti-subsidy rates in the range of 34.45-64.73% for palm biodiesel imports originating from Indonesia. This was slightly lighter than the preliminary 41.06-68.28% range set in August 2017.

The final duties for soybean-based biodiesel from Argentina were set in the range of 71.45-72.28%, higher than the preliminary countervailing rates set in August 2017. The government of Argentina said it may take the dispute to the World Trade Organisation (WTO).

The issue arose when US biodiesel producers complained about the 'dumping' of biodiesel in the domestic market by Indonesian and Argentine exporters. They were alleged to even sell their products below the market value.

Indonesian exporters are able to sell cheap palm biodiesel in the US because the government subsidises production through its B10, B15 and B20 programmes. Under these programmes, diesel is blended with a mandatory amount of fatty acid methyl ester (derived from palm oil). The programmes aim at limiting imports of fuel into Indonesia.

The Trade Ministry of Indonesia had earlier emphasised that the subsidy programme is only meant for biodiesel sold in the domestic market.

Also on Nov 9, Indonesia lost an appeal ruling at the WTO in a dispute with the US and New Zealand over restrictions on imports of food and animal products, such as meat and poultry. Indonesia had been setting import barriers due to health concerns, *halal* food standards, and to deal with a temporary surplus in the domestic market.

New Zealand and the US took the case to the WTO panel, claiming Indonesia's move was a violation of their trade agreements. In December 2016, a panel of adjudicators faulted Indonesia, leading to the appeal and the ruling.

Source: www.indonesia-investments.com, Nov 10, 2017

India hikes import tax on edible oils to 10-year high

India, the world's biggest edible oils importer, has raised the import tax on these products to the highest level in more than a decade, to try and support its farmers. The duty increase will lift oilseed prices and their availability for crushing in the domestic market, helping the country in capping edible oil imports in the 2017/18 marketing year, which started on Nov 1.

India doubled the import tax on crude palm oil to 30%, while the duty on refined palm oil has been raised to 40% from 25% earlier, the government said in an order. The import tax on crude soybean oil was increased to 30% from 17.5%, while on refined soybean oil it was raised to 35% from 20%.

Indian oilseed crushers have been struggling to compete with cheap imports from Indonesia, Malaysia, Brazil and Argentina that have reduced demand for local rapeseed and soybean, even after a steep fall in oilseed prices.

The second increase in import tax in less than three months will push up domestic edible oil prices and support prices of local oilseeds like soybean and rapeseed, said BV Mehta, executive director of the Mumbai-based Solvent Extractors' Association.

Soybean and rapeseed prices have been trading below the government-set price level in the physical market, angering farmers. India relies on imports for 70% of its edible oils consumption, up from 44% in 2001/02.

Even after the duty increase, India will need to import about 15.5 million tonnes in 2017/18, down from earlier estimate of 15.9 million tonnes, but higher than last year's 15 million tonnes, said Sandeep Bajoria, chief executive of the Sunvin Group, a vegetable oil importer.

"The duty hike will have marginal impact on imports. India has to import due to huge demand," Bajoria said.

The government also raised the import duty on soybean, canola oil and sunflower oil.

Source: Reuters, Nov 17, 2017

Demographics and Psychographics

Use in branding strategy

One of the most important questions in branding generally, and particularly so for the edible oils and fats business with its limited branding budget, is: how do I get the biggest impact for my marketing dollars?

The first, and most obvious, answer is to target your marketing strategy. In other words, don't spend all your efforts on broad and general marketing projects. Instead, target your resources to where your message can have its most useful impact.

In many ways, the rise of targeted marketing in the world of communication parallels technology development in military circles. One example would be the development of gun technology over the past few centuries.

In the 1700s, guns and muskets were not very accurate, with the result being that many shots would be fired, with only a tiny number of bullets doing anything useful for the attacking force. Then came better technology in the later part of the 1800s, in the form of rifles such as the Springfield in the US and the Lee Enfield in the UK.

The latter had a training standard of hitting a 12-inch target at a distance of 300 yards with 15 rounds in the space of 60 seconds (a tactic that became known as 'the mad minute'). And in post-World War II battles, snipers have achieved targeted kills in excess of 2,000 metres.

What has changed during that time? Human eyesight is the same. The steadiness of the hand of the shooter is the same. The observation ability of the shooter is the same. All that has changed is the technology.

It's the same kind of story in branding, but swapping rifles for the printing press. A few centuries ago, a basic printing press could produce leaflets, but very few would get to the people who were really interested in their message.

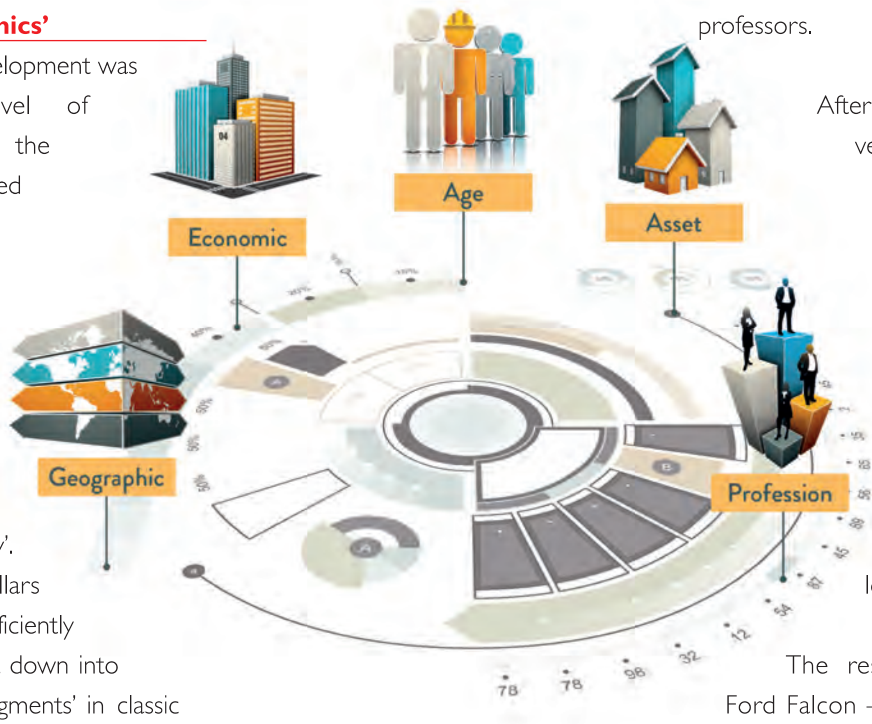
Next came the advanced printing press that produced newspapers in mass quantities and with advertisements. This was an upgrade in terms of cheapness of production relative to the old printing press, but still most advertisements were not going to audiences that were motivated to read them.

Entry of 'demographics'

The next technical development was more on the level of information. This was the first attempt at targeted marketing, along with the use of a new word, 'demographics'.

The rise of demographic marketing meant the end of the idea of 'one message for everybody'. Instead marketing dollars could be spent more efficiently by breaking the market down into smaller divisions or 'segments' in classic marketing-speak. Popular examples are:

- Geographic (by continent, nations or parts of a country)
- Economic (by income or GDP per head)
- Age (old people, young people or those in the middle)
- Asset (homeowners, home-renters or car owners)
- Profession (businesspeople, doctors, civil servants, teachers or labourers)



As marketing developed to increase segmentation, the profitability of companies increased too. In short, less money was being wasted on trying to sell something to people who either weren't in a position to afford a product or who were never going to buy it anyway.

A great example was the analysis of which segment was buying the VW Beetle in the US, in the 1950s. Ford at that time was suffering from the common mental block of thinking that only one kind of product was what the market wanted – namely 'show-off', ostentatious cars; this went with another common mental block of thinking that they knew the answer when they didn't.

But after a small investment of some market research, which was really nothing more stunning than asking VW Beetle drivers what they did for a living, Ford realised that these small, reliable little cars weren't being bought by low-income workers who could afford nothing else, but by rather by middle-class professionals such as doctors, dentists and university professors.

After that, the next step was very straightforward: for Ford to produce a 'VW Beetle' kind of car, with the same basic functional factors that such a demographic segment liked, only with the added comfort factor of being available at the local Ford dealership.

The result in 1960 was the Ford Falcon – a car that was one of the most outstanding successes of the US motor industry, not to mention a remarkably profitable return on investment for a tiny amount of market research dollars. The Falcon continued in production in the US until 1970, and by Ford Argentina until 1991, with total unit sales of 466,796.

Big data and the death of privacy

Since the days of the Ford Falcon, marketers have had access to more and more data on the world and its numerous sub-groups, as well as on individuals.

George Orwell's novel *1984*, was dismissed by many as negative scare-mongering when it was published in 1949, with its negative image of a dystopian future where 'Big Brother' watches you. Nowadays we accept that 'being watched' is just another part of everyday life. And we're not just talking about

the CIA and FBI viewing private emails and tapping phones, or drones and CCTV cameras filming us from above.

There is also the world of social media and Internet search engines. Every 'like' and 'dislike' and 'share' that you click on a Facebook posting goes into a big Facebook server somewhere, gets deleted (or not) and gets protected from someone else using it (or not).

It's the same story with Internet search engines such as Google, Bing and Yahoo, which are all tracking search engines. These keep a record of your searches. After that record is logged, the software determines what search results come up for you the next time. In other words, if you were to search 'palm oil environment problems' on Google, you would get different hits (often on the first page of results) from what I get, or from what an activist gets.

You can use non-tracking search engines too. A popular one is DuckDuckGo, which does not log what searches you make; other similar ones are Startpage, Ixquick and Blekko. But for now, Google has such massive market dominance that the phrase 'I suggest you DuckDuckGo that one' would cause confusion, whereas 'I suggest you Google that one' is well and truly part of the current Internet *lingua franca.*

Applying psychographics

Psychographics is a more recent way of segmenting a market. Instead of by age, income or profession, it segments a market in terms of personal traits, values, attitudes, interests and lifestyles.

One of the more common ways of ways of classifying psychographics is by the 'OCEAN' model.

'OCEAN' stands for:

- Openness to experience
- Conscientiousness
- Extraversion
- Agreeableness
- Neuroticism

Although OCEAN as a way of classifying of personalities is not new (the initial model was advanced by Ernest Tupes and Raymond Christal in 1961), it has only recently gained prominence because of the Internet, and massive and cheap data processing. That means it can be used to profile huge numbers of people in terms of a wide range of buying patterns.

It got in the news with companies like Cambridge Analyitcam, which used it as a tool as they consulted on Ted Cruz's US Republican campaign and the UK's pro-Brexit vote. Another psychographic company in the news is Acxiom.

These are neither small nor insignificant companies. According to its Wiki page, Acxiom had revenue of US$1.2 billion and 4,320 employees all dedicated to data-mining. In the run-up to the 2016 US Presidential campaign, Cambridge Analytica's CEO Alexander Nix claimed to have 4,000-5,000 data items on the majority of the US population. Also, Cambridge Analytica's funding comes from Robert Mercer – a billionaire backer of Donald Trump's Presidential campaign.

So, how should oils and fats companies utilise such innovations in updating their branding strategy?

A 'full service' from a top psychographic consultancy may cost millions and would be above the marketing budget of most oils and fats organisations. But even a small investment could yield big results.

In the short term, it is valuable to stop thinking in terms of simple demographics (professions or physical locations) and more along the psychographic range. Even just one part of the OCEAN model can do all you need to do. For example, focusing on the 'N' in OCEAN would mean taking these steps:

1. Focus on the more neurotic folks in a group.

2. Find out what media they prefer (where to advertise or what channel to use).

3. Give them something to be fearful or anxious about.

4. Present them with a 'cure'.

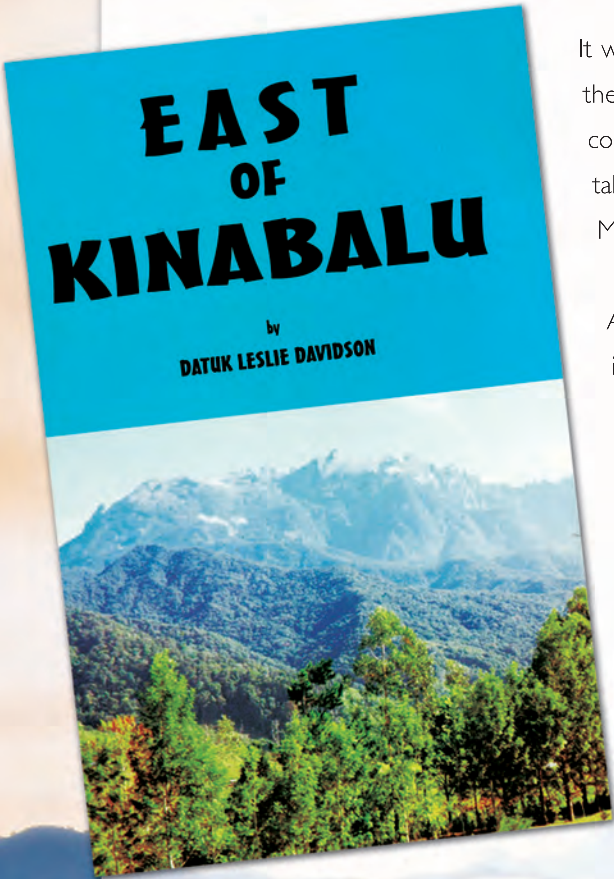
Back to your own work practice. Do you check that you and your co-workers are using their PCs, mobile phones, smart phones and tablets with the full awareness of how much they are being watched? The question 'Is Big Brother watching me?' has been replaced by 'Of course people are watching me, lots of them, so how do I modify my behaviour?'.

The psychographic approach is helpful in that it helps us to get away from labelling target markets in terms of overly simple labels such as countries and professions, and more towards values and motivation. These, after all, are more likely to determine people's choices.

Dr Ian Halsall
Author & Researcher

Effects of *Konfrontasi*, Part 1

Sabahan sequel



It was unfortunate in some ways that the acquisition of Kimansi, and the subsequent acceleration of our development operations, coincided with the Indonesian *Konfrontasi*. President Soekarno had taken exception to the inclusion of Sabah and Sarawak into greater Malaysia.

Armed incursions from Indonesia became frequent and eventually it was blown up into a minor war. There were casualties on both sides near the border between East Malaysia and Kalimantan. Britain came to Malaysia's aid and the allied troops consisting of British and Malaysian forces had little trouble in repelling Indonesian attacks.

In the Labuk, we were far away from the Indonesian border. We had a few false alarms however. Special Branch arrested one of our young Indonesian trainee overseers, a Javanese. He apparently confessed under questioning that he had been sent to Pamol to prepare for an uprising among our Indonesian workers. It was to be led, it was claimed, by a platoon of Indonesian commandos who would land on our airstrip and help take over the entire Labuk Valley.

A company of British troops was billeted on our estate for a few months to guard the airstrip. Apparently, the Indonesian plan was aborted. We learned that the entire commando platoon surrendered to the allied forces on the Indonesian border a few months later.

To me, it had sounded like a hair-brained scheme from the outset, since most of our Bugis workers had actually come to Sabah to escape from Soekarno and his regime. There was, however, a curious, typically Sabahan sequel to this.

Konfrontasi came to an abrupt halt following the anti-communist revolution in Indonesia. The new government refused to take the commandos back: "You captured them. You keep them!" The Sabah government, rather to their embarrassment, found that they had a platoon of unwanted Indonesian commando prisoners on their hands.

Tun Mustapha phoned me and suggested we should relieve the situation by offering them employment on Tungud. Anthony Wong went over to interview them and recruited them all. He reported in due course that they were some of the best workers we had!

The Filipino factor

What was to affect us much more than the military threat was the fact that the border with Indonesia was firmly shut for a few years and (apart from our commandos) all immigration from Indonesia was stopped. This was just at the time when our development was at its peak and our need for labour was at its greatest.

The situation looked serious, and we were contemplating having to cut back our programme. We were saved, surprisingly, by the drop in the price of tobacco in the Philippines. Tobacco was the main crop in Northern Luzon. Thousands of Illocano smallholders were suffering severe hardship.

I went over to Manila and through the good offices of our Unilever subsidiary, the Philippine Refining Company, we established a recruiting agency. This proved a great success and soon there was a steady flow of immigrants into Sabah.

By 1966, we had 1,800 workers of whom nearly half were Filipinos. We were told by the Philippines Ambassador when he visited the estate, that at the time, we were the largest employer of Filipinos in the country.

The advent of the Filipinos changed the entire culture of the company. Many of them brought their guitars with them; in the evenings at the club, they would get together to sing American and Filipino folk songs.

The ladies who came with them introduced us to their native dances, which were influenced by Spanish colonial days. The parties in the Labuk Club became much livelier. We all had to learn the steps of the *Pasa Doble* and the *Tinikling*, the popular bamboo-dance. By way of exchange, Bryson Middleton started a Scottish Country Dance Class, which the Filipinos took to with great enthusiasm.

The new arrivals did not only consist of agriculturalists. The standard of education in the Philippines was, at that time, by far the highest in Southeast Asia, but unemployment among educated and skilled people was running at a very high rate.

Every Filipino kumpit which came up the river brought in workers with a whole range of skills which were useful to us. They included clerical workers, research staff, mechanics, teachers, drivers, draftsmen and builders.

But since Sabah was the only place a Filipino criminal could travel to without a passport, the arrivals also included one or two bank-robbers, a sprinkling of murderers and sundry other desperadoes escaping from the Philippines police force. Strangely enough, they gave us no problems, any more than the commandos had. This was particularly surprising since there were no policemen nearer than Beluran.

I suspected that the Filipinos were very much in awe of Ibrahim who, I was told, threatened to kill anyone who stepped out of line. The newcomers were also aware of the reputation of the Bugis and the tattooed Dyaks, and were all on their very best behaviour while they were with us – just as the Balanini pirates had been.

In-house project

The last management house to be built was the general manager's house. It was to be situated, in keeping with plantation tradition, on the highest hill in the management compound overlooking our future golf-course. It would have a glorious view to the west, with Mount Kinabalu towering up on the skyline.

One of the immigrants was a trained draftsman, a young man named Pablo. I found in a magazine, a picture of an attractive house on a beach in Hawaii. I made a few sketches of it and passed it to Pablo, who turned it into a working drawing.

It was far too big an operation for Kong Miew to undertake. However, the Filipino builders coped with the woodwork and the roof. The stonework was completed with the help of a Chinese bricklayer, Lee Mau Sang, who had come to us as an artisan and who, over the years, graduated to become a resident building contractor.

The new house was light and airy and looked rather Californian in style, with huge central merbau beams which we produced in our own sawmill. It proved to be very practical. It had a VIP suite attached, which was used over the years by many Sabah dignitaries on their visits to the Labuk.

Long after my retirement, I visited the estate, and was delighted to see that the management houses were still in as good shape as when we built them 40 years earlier. David Martin who stayed in the general manager's house on his retirement visit, said how delighted he was that we had built it without the help of an architect!

Datuk Leslie Davidson
Author, *East of Kinabalu*
Former Chairman, Unilever Plantations International

The second part will be published in the next issue. This is an edited chapter from the book published in 2007. It can be purchased from the Incorporated Society of Planters; email: isph@tm.net.my