

# **PALM OIL ECONOMIC REVIEW AND OUTLOOK SEMINAR 2015**

**SPEECH BY**

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**PALM OIL ECONOMIC REVIEW AND OUTLOOK SEMINAR 2015**

**THE ROYALE CHULAN, KUALA LUMPUR**

**19 JANUARY 2015, MONDAY**

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Yang Berhormat Dato' Noriah Kasnon

Timbalan Menteri

Kementerian Perusahaan Perladangan dan Komoditi

Yang Berhormat Dato' Ar. Wan Mohammad Khair-il Anuar Wan Ahmad

Pengerusi

Lembaga Minyak Sawit Malaysia

Yang Berbahagia Datuk Himmat Singh

Ketua Setiausaha

Kementerian Perusahaan Perladangan dan Komoditi

Yang Berbahagia Datuk Dr. Choo Yuen May

Ketua Pengarah

Lembaga Minyak Sawit Malaysia

YBhg Tan Sri – Tan Sri, Datuk – Datuk

Tuan-tuan dan Puan-Puan

Salam Sejahtera, Salam 1 Malaysia dan selamat pagi.

Terlebih dahulu, saya ingin merakamkan tahniah kepada Lembaga Minyak Sawit Malaysia (MPOB) atas inisiatif menganjurkan Palm Oil Economic Review and Outlook Seminar 2015. Saya yakin seminar seumpama ini menyediakan landasan untuk berbincang prestasi sektor sawit pada tahun 2014 dan bertukar-tukar pandangan mengenai prospeknya pada tahun 2015.

Ladies and Gentlemen,

2.I am delighted to officiate the annual Palm Oil Economic Review and Outlook Seminar 2015 and together with the palm oil fraternity to discuss the industry performance in 2014 and the prospects in 2015. The discussions will have to take into account the global economic scenario, in particular the projected lower economic growth in major importing countries. Against this backdrop, it is pertinent that we explore new strategies in 2015 to further enhance the growth and the resilience of the palm oil industry.

3.Malaysia currently accounts for 33.1% of the total world palm oil production and 39.6% of total world palm oil exports. The country's oil palm industry has grown to be the largest component of Malaysia's agricultural sector, with more than 70% of agricultural land under oil palm cultivation. Indeed, the palm oil industry is the main pillar or prime mover of the agriculture based sector, employing more than 620,000 people. The industry has also contributed

substantively towards addressing poverty and generating employment among the rural population.

4. In view of its significant contribution to the country's economy, it is of paramount importance that this industry be given the appropriate support to raise its productivity and contribution. We have a target of realising a Gross National Income Contribution (GNI) of RM178 billion by 2020 and we need to intensify our efforts towards realising this objective. In this context, the Ministry is reviewing the initiatives under the Entry Point Projects (EPPs). A lab has been scheduled from 26 January to 13 February 2014 to review the progress and identify new EPPs and it is hoped that some new and bold initiatives will be generated from this lab.

Ladies and Gentlemen,

5. The Malaysian palm oil sector registered a better performance in terms of production indicators in 2014, compared with the previous year. In 2014, crude palm oil (CPO) production climbed by 2.3% to 19.6 million tonnes from 19.2 million tonnes recorded in 2013. The increase in production was due to the increase in Oil Extraction Rate (OER) by 1.8% to 20.62% and increase in new matured area, especially in Sarawak. CPO production for 2015 is expected to continue this upward trend.

6. However, in 2014 the total exports of oil palm declined by 2.6% to 25.0 million tonnes as against 25.7 million tonnes in 2013. Nonetheless, the higher average palm oil prices during the period January-December 2014 had increased total export earnings for 2014 by 3.4% to RM63.4 billion as compared with RM61.3 billion in 2013.

Ladies and Gentlemen,

7. In 2014, CPO was traded at an average price of RM2,383.50 per tonne, an increase of RM12.50 a tonne or 0.5% higher as compared to RM2,371.00 a tonne in 2013. The firm CPO price was mainly due to the bullish CPO price trend during the first half of 2014 as a result of the tight domestic palm oil supply during the first quarter of 2014 and the decline in palm oil stock levels. However the current low Brent Crude Oil price had slowed this trend.

8. World vegetable oil prices were traded weaker in 2014, especially soyabean oil (which was down by 14.0% to US\$909.00 per tonne) and rapeseed oil (which was down by 16.2% to US\$907.00 per tonne). The weak prices were associated with the higher production of soyabean in South America and USA, as well as rapeseed in the EU. As a result of the weak prices of seed oils in 2014, the CPO price discount narrowed against soyabean oil and rapeseed oil to US\$88 and US\$86 per tonne as compared to US\$200 and US\$225 respectively during the same period of last year. The narrowed price discount between palm oil and other competing vegetable oils had caused exports of Malaysian palm oil to major destinations, such as China, PR, Pakistan, USA and Egypt to decline.

Ladies and Gentlemen,

9. The scenario in 2014 together with the depreciation of the Ringgit since the second half of 2014 and the implementation of the Goods & Services Tax (GST) from 1 April 2015, the year 2015 indeed will be a challenging one for the Malaysian palm oil industry. I was informed that MPOB, together with the Royal Customs of Malaysia had conducted a Seminar and Dialogue Session with the Malaysian oil palm industry players to educate industry players on the GST. I hope you have made full use of the seminar and Dialogue on GST, to have better understanding of GST and to clear any doubts regarding the effect of GST on palm oil.

Ladies and Gentlemen,

10. The Government will continue to introduce measures to assist the oil palm upstream and downstream sectors. Towards this end, the Government has implemented a new CPO export duty structure effective 1 January 2013, implemented the B7 Programme effective November 2014 in Peninsular Malaysia and in December 2014 for Sabah, Sarawak and Wilayah Persekutuan Labuan. It is expected that under the B7 Programme about 576,000 tonnes of CPO will be utilised. This effort is expected to contribute towards higher domestic consumption of CPO, reduce stock built-up and strengthen domestic prices.

11. The regular build-up of stock, particularly towards the last quarter of the year, will continue to put pressure on palm oil prices. In addition, the continuous expansion of other palm oil producing countries too, has exacerbated the supply situation. Coupled with the good harvest of competing oil seeds and down trend of crude oil prices, these challenges will have to be met in 2015.

12. The year 2015 will also be significant for the Malaysian palm oil industry as we will be implementing the Malaysian Sustainable Palm Oil (MSPO) scheme. The MSPO addresses the issues on sustainability of palm oil and will form a basis for the branding of Malaysian palm oil. We are confident that the MSPO will help to portray Malaysian palm oil in a very positive image, as well as to help enhance market access for palm oil in the importing countries that require certification.

Ladies and Gentlemen,

13. Production, stock and the future price outlook has always been an important topic in this annual seminar organised by MPOB. I must congratulate MPOB in keeping the industry informed on the challenges faced and the strategic moves being taken to enhance the palm oil industry's performance and competitiveness, both locally and internationally. Apart from being updated on the latest palm oil industry performance in Malaysia and Indonesia, this seminar will also benefit the industry with regards to trade developments in China and India, and also the world oils and fats market scenario.

14. Lastly, I urge all of you present here today to participate actively and put forward your views and suggestions to ensure that the Malaysian palm oil industry remains a strategic economic sector and a global powerhouse in the oils and fats industry.

On this note, I hereby officially declare open the Palm Oil Economic Review and Outlook Seminar 2015.

Thank you.

**Ministry of Plantation Industries and Commodities**

**19 January 2015**