

# **PALM AND LAURIC OILS CONFERENCE & EXHIBITION PRICE OUTLOOK 2015/2016 (POC 2015)**

**KEYNOTE ADDRESS BY  
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MINISTER OF PLANTATION INDUSTRIES  
AND COMMODITIES**

**PALM AND LAURIC OILS CONFERENCE & EXHIBITION  
PRICE OUTLOOK 2015/2016 (POC 2015)  
SHANGRI-LA HOTEL, KUALA LUMPUR  
TUESDAY, 3 MARCH 2015**

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The Honourable Minister Oyoubi,  
Minister of Agriculture, Animal Husbandry, Fisheries and Food Security  
Republic of Gabon

Yang Berbahagia Tun Mohamed Dzaiddin Haji Abdullah  
Chairman  
Bursa Malaysia

Yang Berbahagia Dato' Tajuddin Atan  
Chief Executive Officer  
Bursa Malaysia

Yang Berbahagia Datuk Dr. Choo Yuen May  
Director General  
Malaysian Palm Oil Board

Tan Sri-Tan Sri, Datuk-Datuk

Ladies and Gentlemen

Selamat Pagi, Salam Sejahtera, and Good Morning.

Let me begin by conveying the greetings and well wishes of YB Datuk Amar Douglas Uggah Embas, Minister of Plantation Industries and Commodities, who is unable to be with us this morning as he is in Sarawak. YB Datuk Amar Douglas has asked me to represent him and to deliver his speech.

“Ladies and Gentlemen,

2. Firstly, I wish to record my appreciation to Bursa Malaysia on their initiative and effort in

organising this annual Palm and Lauric Oils Conference and Exhibition, Price Outlook 2015/2016 (POC 2015). To the delegates, who have come from all over the world, I wish you a warm welcome and Selamat Datang to Malaysia. I do hope you have a pleasant stay in Malaysia.

Ladies and Gentlemen,

3. Since the last quarter of 2014, the global economic scenario has not been positive as also indicated by the lower crude petroleum and palm oil prices. In addition, the lower projected global economic growth, in particular by the major developed and important commodity importing countries will continue to have a bearing on commodity prices.

4. In line with this scenario, the theme of POC 2015, Trade, Hedge and Be Ahead of Markets, is indeed most apt. I am confident that this conference will provide the participants with new knowledge on trading and hedging strategies to manage uncertainties and risks in a better way.

Ladies and Gentlemen,

5. Currently, palm oil is the leading edible oil traded globally with a market share of around 57% of the total oils and fats traded. Export of palm oil products from Malaysia accounted for 25% of the global export trade in oils and fats and 42% of the global palm oil trade. Malaysian palm oil products are currently exported to more than 150 countries worldwide including China, the European Union, Pakistan, the United States and India. In 2014, exports of palm oil products were valued at RM66.12 billion and accounted for 8.6% of total merchandise exports from Malaysia.

6. The palm oil industry has contributed immensely to the nation's economic growth and in increasing rural incomes. The planting of oil palm involves about 207,000 independent smallholders covering 807,000 hectares. In 2014, the total oil palm planted area was 5.39 million hectares and this represents close to 72% of the total agriculture land use.

Ladies and Gentlemen,

7. Malaysia will continue to provide this edible and versatile oil to meet the demands of the global community. We will continue to undertake research and development activities in the use of palm oil for both food and non food purposes. Under the National Key Economic Area (NKEA) programme, the Government promotes the development of the downstream sector, in particular in the production of value added palm oil based products. These include matching grants to companies for the production of oleo derivatives. For the period 2011 to 2014, from an allocation of RM123.1 million, a total of RM102.22 million has been disbursed. In the case of food and health based products, a sum of RM50 million has been allocated and disbursed as matching grants for the period 2011 to 2014.

8. Malaysia's investment in palm oil research and development will include collaboration with major research institutions abroad in the use of palm oil in nutraceutical and pharmaceutical products, including the suitability of palm based tocotrienols to address heart diseases, strokes, dementia and respiratory tract infections. We are optimistic that the investment in research will

result more palm based products being made available to the global community.

Ladies and Gentlemen,

9. Malaysia will also continue to implement measures to increase domestic consumption of palm oil as well as reduce stocks. In this context, the Government has implemented the biofuel programme since June 2011 beginning with the B5 Programme. Since then, we have progressed the biofuel programme to B7, which has been fully implemented in Peninsular Malaysia since November 2014. Currently, we are exploring the possibility of implementing the B10 Programme nationwide.

10. The full implementation of the B10 Programme will allow domestic annual consumption of palm oil of 1.2 million tonnes. We will also explore the implementation of the biofuel programme in other sectors such as in industry and power generation. In the longer term, this will contribute towards enhanced domestic consumption of palm oil as well as contribute to the usage of an environmentally friendly and sustainable source of energy.

11. Similarly, Malaysia will also continue to promote the use of palm oil in the global markets. These include making available data on the use of palm oil for a variety of purposes and collaborating with research institutions in major importing countries. In this regard, Malaysia has established a Palm Oil Research and Technical Institute (PORTSIM) in China to provide technical and scientific support in the promotion of the usage of palm oil. Similarly, a PORTSIM in India is also being established to cater to the needs of the Indian market.

12. At the same time, Malaysia will continue to undertake outreach activities in our overseas markets on the suitability and sustainable perspectives of palm oil, through the Malaysian Palm Oil Board and the Malaysian Palm Oil Council offices overseas. To complement these efforts, we will continue to organise Palm Oil Trade Seminars (POTS) in major and emerging markets to disseminate information on the nutritional benefits of palm oil.

Ladies and Gentlemen,

13. The success of the palm oil industry in Malaysia has attracted allegations that its development is not sustainable. We of course do not share that view and are putting in great effort to convey the correct perspective. In this context, I wish to reiterate that Malaysia encourages the industry to adhere to sustainable practises that provides equal emphasis on protecting the environment. In fact, the industry is subjected to more than 50 laws and regulations ranging from its development to production, and this helps the industry to be on the straight and narrow.

14. To further promote the image of the palm oil industry in Malaysia, beginning 2015 we have implemented our own Malaysian Standard for Sustainable Palm Oil (MSPO). MSPO is based on our laws and regulations and certification is based on standards established under the scheme. Besides encouraging the industry to adopt MSPO, we will be providing financial assistance and advisory services especially to our small holders, for them to be MSPO certified. For this purpose, the Government has allocated a sum of RM53 million. We believe MSPO can form the

basis for the branding of Malaysian palm oil in the international market as the palm oil that is synonymous with quality and sustainable production. We are also confident that the MSPO will help in countering the negative perception and allegations on palm oil cultivation with regard to the environment and sustainability practices spread by ignorant or irresponsible NGOs, including unfounded fears of deforestation. For the record, Malaysia currently has about 61% of its land area under forest cover.

Ladies and Gentlemen,

15. I understand that this conference will explore the price outlook for 2015/2016. Understandably, commodity prices are subjected to volatility and pose significant risk to producers, traders, consumers and others involved in the industry. In situations of considerable uncertainty it is important to facilitate efficient decision making.

16. Hence, a futures market is necessary to provide a price discovery mechanism for market participants and to guide them in their production, consumption and financing decisions. I am made to understand that hedging on futures is an effective risk management strategy to reduce the associated risks that producers and traders are exposed. I am also made to understand that the Bursa Malaysia Derivatives' Crude Palm Oil Futures (FCPO) contract is seen by many as a great risk management derivatives tool to hedge and arbitrage against price volatility in the palm oil industry. In fact, FCPO acts as a global price discovery, price determination, price benchmarking and referencing for the global palm oil trade. This is indeed a commendable achievement for Bursa Malaysia, to be the home for the global price benchmark for palm oil. Syabas or kudos to Bursa Malaysia.

17. Lastly, I would like to once again congratulate Bursa Malaysia for organising this conference and to the delegates, I wish you a productive conference.

18. On this note, I hereby officially declare the Palm and Lauric Oils Conference and Exhibition, Price Outlook 2015/2016 (POC 2015) open.

Thank you.

Ministry of Plantation Industries and Commodities  
3 March 2015