

**KEYNOTE ADDRESS BY
YAB DATO' SERI DR. AHMAD ZAHID HAMIDI
DEPUTY PRIME MINISTER OF MALAYSIA**

(Delivered by Yang Berhormat Datuk Amar Douglas Uggah Embas,
Menteri Perusahaan Perladangan dan Komoditi /
Minister of Plantation Industries & Commodities Malaysia)

**PALM AND LAURIC OILS CONFERENCE AND EXHIBITION,
PRICE OUTLOOK 2016/2017
SHANGRI-LA HOTEL, KUALA LUMPUR
TUESDAY, 8 MARCH 2016**

Yang Berbahagia Tan Sri Amirsham A Aziz
Pengerusi
Bursa Malaysia

Yang Berbahagia Datuk Seri Tajuddin Atan
Ketua Pegawai Eksekutif
Bursa Malaysia

Yang Berbahagia Datuk Dr. Sundaran Annamalai
Ketua Setiausaha
Kementerian Perusahaan Perladangan dan Komoditi

Yang Berbahagia Tan Sri-Tan Sri, Datuk-Datuk

Ladies and Gentlemen,

Good morning,

Welcome to Malaysia

First and foremost, I would like to convey deepest gratitude and warm regards from Yang Amat Berhormat Dato' Seri Dr. Ahmad Zahid Hamidi, Deputy Prime Minister of Malaysia to all of you. The Right Honourable Dato' Seri sends his apologies for not being here this morning to officiate the opening of today's event due to unavoidable circumstances. Please allow me now to deliver the Right Honourable Deputy Prime Minister's speech.

Ladies and Gentlemen,

2. I would like to record my appreciation to the Ministry of Plantation Industries and Commodities and Bursa Malaysia for the invitation to officiate the annual Palm and Lauric Oils Conference and Exhibition, Price Outlook 2016/2017. Among the palm oil fraternity, it is simply known as POC 2016.

3. Today's gathering marks the 27th Anniversary of POC. This is indeed a milestone, and I hope this event will continue to grow to become a leading international platform in the future for the palm and lauric oils industry. To all the delegates, I wish you a warm welcome and those from overseas, *Selamat Datang* to Malaysia.

Ladies and Gentlemen,

4. The oil palm industry in Malaysia has been synonymous with Malaysia's economic development. This industry is also one of the major contributors to Malaysia's economic growth, including generating employment opportunities in the agriculture sector. **Currently, the industry provides direct employment to more than 1 million people including 600,000 smallholders.** These makes palm oil as one of Malaysia's major development drivers and an important pillar in the nation's economy. The Government recognizes the importance of the palm oil sector and has taken measures to enhance its performance from the upstream to the downstream subsectors, towards generating economic growth and higher income for the country.

5. Malaysia in 2015 produced 19.96 million tonnes of crude palm oil from a planted area of 5.64 million hectares. Total export of palm oil products was 26.2 million tonnes and generated export earnings

of RM63.2 billion in 2015. The palm oil sector contributed to 8.1% of Malaysia's total merchandise exports.

6. The Malaysian palm oil industry subscribes to voluntary industry led certification under the Roundtable on Sustainable Palm Oil (RSPO). Currently, 25.3% of Malaysia's planted area is certified under RSPO. In addition, Malaysia has implemented the Malaysian Sustainable Palm Oil Certification Scheme (MSPO) beginning 2015 to promote the production of sustainable palm oil. MSPO is based on compliance to domestic laws and regulations, including the development and management of palm oil cultivation that subscribes to best environment and agricultural practices.

Ladies and Gentlemen,

7. The Government will continue to facilitate the development of the palm oil industry by making available grants for specific projects for the period 2016 to 2020. These include an allocation of RM250 million to encourage investments in production of oleochemicals and food and health value added products, and RM4.5 million to smallholders and plantation companies to acquire in-field equipment/machineries.

8. Continuous research on the nutritional aspect of palm oil nutrition is equally important. This will provide further opportunities to expand its use in various food products and capitalise on its nutritional benefits. The health value of pharmaceutical and nutraceutical products derived from palm oil will also be given emphasis through laboratory tests and clinical trials by credible medical universities and institutions. **The Government through**

Malaysian Palm Oil Board (MPOB) is also collaborating with renowned scientists around the world. For this purposes, an amount of RM30 million will be allocated for the period of 2016 to 2020.

9. The Government on its part will continue to implement measures towards ensuring the long term resilience of the palm oil industry both domestically and internationally. These measures include implementation of the B7 programme since 2015 which involves an annual consumption of 575,00 tonnes of palm oil. Other than diversifying and increasing the use of palm oil, this programme also contributes towards reducing our dependence on petroleum diesel as well as reducing Green House Gas (GHG) emmissions. In addition, plans to upgrade the B7 programme to B10 programme is also in the pipeline

10. Other initiatives undertaken includes the Oil Palm Replanting Incentive Scheme which was implemented from 1st October to 31st December 2015 with an allocation of RM100 million. The replanting scheme aims to replant 83,000 hectares of unproductive palms nationwide. The Government has also embarked on new planting and replanting scheme with high yielding planting materials for smallholders that will in the long term ensure the improvements in productivity and smallholders income. These programmes will contribute towards a better management of stock levels as well as contribute towards strengthening CPO prices.

11. At the international level, Malaysia and Indonesia, being the two largest palm oil producers have signed the Charter on the establishment of the Council of Palm Oil Producing Countries (CPOPC). This Council will enable member countries to strengthen cooperation and collaboration in the development of palm oil industry. Among issues to be addressed include trade

impediments in major importing countries; counter negative campaigns against palm oil and to promote sustainable practices in the palm oil industry as well as the nutritional benefits of palm oil. CPOPC would be an ideal platform for the producing countries to have a stronger voice in ensuring the interest and development of the palm oil industry is safeguarded. Therefore, I would like to welcome other oil palm cultivating countries to become members of CPOPC.

Ladies and Gentlemen,

12. The theme of POC 2016 is *Managing Market Uncertainties: Our Global Solution*. This is relevant in the context of the current global scenario where the global economy is expected to grow at a slower pace in 2016 based on the performance in 2015, where based on World Bank estimates that the global economy grew at 3.3% in 2015. This slow down has repercussions on the demand for palm oil, especially from major importing countries such as China and the European Union.

13. Notwithstanding the slower global economic growth, the vegetable oils industry has however seen a growth in production, partly contributed by favourable weather conditions in 2014 and 2015. This is reflected in the growth of global palm oil production which increased 5.3% in 2015, compared to 2014. Other vegetable oils that have registered growth in production in 2015 include soy bean oil at 7.7% and castor oil at 6.3%.

14. Palm oil remains a highly traded vegetable oil accounting for 57.6% of the global trade in vegetable oils in 2015. Malaysia contributed to 31% of the global palm oil production and 36.4% of global exports.

15. The combination of lower global economic growth and the increase in vegetable oils supply does indeed contribute towards market uncertainties. At such, it is pertinent that the oils and fats fraternity formulate appropriate measures to insulate their businesses against market and global challenges.

Ladies and Gentlemen,

16. In situations of price uncertainty, price discovery is necessary for the traders in mitigating risk factors. To this end, as a major producer of palm oil and home to the most successful crude palm oil futures trading platform, Malaysia offers a wide-ranging investment to cater for institutions, traders, buyers, suppliers and to manage risk. Bursa Malaysia's long years of experience in commodity futures markets constitute an important component in making it a viable and a robust exchange that should benefit all. Another crucial component that holds Malaysia's standing as a leading marketplace for the oil palm industry is the credibility of supply-side while the same can also be said of our strong and deep capital market. All these factors have led to Malaysia being regarded as the world's price discovery centre for palm oil.

17. Malaysia, as the preferred benchmark for the pricing of palm oil globally, has also attracted strong attention from international traders. The foreign trading participation for crude palm oil futures has continuously increased. This is indeed an encouraging sign and more importantly reflects the level of maturity and access to the Malaysian futures market. I am optimistic this will encourage more participation from overseas players in the crude palm oil futures.

Ladies and Gentlemen,

18. Lastly, I would like once again to congratulate Bursa Malaysia for its relentless effort in organising this successful conference. To all the delegates, I trust that all of you will find the topics interesting at this conference. Your keen interest and participation will certainly provide opportunities to develop new ideas in moving the oil palm industry further.

19. I would also like to urge all the participants, especially those from overseas to make available time to enjoy the sights and sounds of Kuala Lumpur. This city offers its own uniqueness and charm, and I strongly urge all of you to explore them so that you can take back fond memories of your stay in Malaysia.

On this note, and on behalf of Yang Amat Berhormat Deputy Prime Minister of Malaysia, I hereby officially declare open the Palm and Lauric Oils Conference and Exhibition, Price Outlook 2016/2017.

Thank you.