

SPECIAL ADDRESS
POWERING MALAYSIA'S PLANTATION AND COMMODITIES
INDUSTRY
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Ladies and Gentlemen,

I would like to take this opportunity to thank Bursa Malaysia for inviting me to present a special address in today's session with regards to Powering Malaysia's Plantation and Commodities Industry.

Commodity is an important contributor to the socio-economic development and plays a major role in eradicating poverty in Malaysia since the independence of the country. The agricommodity plantation sector comprises of 6 commodities ie. palm oil, rubber, timber, cocoa, pepper and kenaf. In 2019, this sector contributed 6.1% to the Gross Domestic Products (GDP) and remained among the largest net exporter along with the electrical and electronic (E&E) and the oil and gas (O&G) sectors. Being the top three commodities, the palm oil, rubber and timber sectors contributed to 94.18% of total commodity export earnings in 2019. Malaysia's top 3 major export destinations for agricommodity products are the European Union (EU), China and the United States (US).

A. PALM OIL

1. Palm Oil Overview in the European Union (EU) Market

Over the years, Malaysia and the European Union (EU) has had an excellent trade relation where exports of agricommodity and agricommodity based products to the EU in 2019 were valued at RM18.7 billion, a slight decrease of 2.04% compared to RM19.09 billion in 2018. The main export were palm oil products valued at RM9.58 billion, followed by rubber and rubber products at RM6.55 billion and timber and timber products at RM2.12 billion.

Promotional Efforts and Strategy to Strengthen the Palm Oil Sector

i) Promotion for Palm Oil Export

International Seminars/Programmes

- KPPK through its agencies, the Malaysian Palm Oil Board (MPOB) and Malaysian Palm Oil Council (MPOC) organise very extensive promotion globally to gain and increase the Malaysian palm oil market share. Few prominent promotional programmes under such initiatives includes the Palm Oil International Congress and Exhibition (PIPOC) and Palm Oil Trade Fair and Seminar (POTS). Such platforms provide a lot of beneficial activities to interact and share information in various areas pertaining to the palm oil industry. It also showcases the latest advancement in the industry. It also serves to present and reflect on the current issues associate

with the palm oil industry, convey innovative ideas and critical thinking into single platform, congregating oils and fats industry players, marketers, traders, economists, nutritionists, government officials as well as all segments of the private industry to deliberate on the latest development and way forward for the palm oil industry.

- Apart from that, engagement programme such as business to business (B2B) under the MPOC initiatives is continuously done to connect our local companies with potential buyers/importers in order to expand the business opportunity and subsequently increase the market share. However, due the current pandemic, such programme still continue to be conducted virtually to lessen physical contact.

Tax/Duty incentive

- To boost export of palm oil resulting from the COVID-19 pandemic, the Government under the *Pelan Jana Semula Ekonomi Negara* (PENJANA) has given a tax break in the form of 100% exemption on export duty on Crude Palm Oil (CPO), Crude Palm Kernel Oil (CPKO) and Processed Palm Kernel Oil (PPKO). The incentive could attract not only local players but also potential international buyers for palm oil import/export activity.

ii) **Strategy to Increase Crude Palm Oil (CPO) price**

Stock control – biofuel programme

- In principal, the price of CPO is driven by the market force which depends totally on supply and demand. However, some intervention into this system could indirectly help control the price in the market. Increasing local consumption through the implementation of biofuel programme could play a vital role in controlling the palm oil stock which may indirectly facilitate in stabilising palm oil price.
- The full implementation of the B20 Programme in the transport sector along with the B7 Programme in the industrial sector will allow domestic annual palm oil consumption of 1.3 million tonnes. Such move not only will boost the economy but also contribute to the increased use of an environmentally friendly and sustainable energy source.

iii) **Plans to improve perception of palm oil in the European Union (EU)**

Sustainability : Malaysian Sustainable Palm Oil (MSPO) Certification

- As an initiative to ensure and promote sustainable practice throughout the palm oil value chain, Malaysia subscribes to the United Nations Sustainable Development Goals (UN SDGs)

Agenda 2030 and agrees in principle to adopt these SDGs as the primary framework to drive and achieve higher sustainability commitment within the palm oil industry.

- Malaysia is committed to sustainably produce palm oil and to ensure sustainable management of the entire palm oil supply chain becomes the accepted norm and standard for the Malaysian palm oil. This will be achieved through the mandatory certification of Malaysian palm oil under the Malaysian Sustainable Palm Oil (MSPO) certification scheme. It is the Ministry's aspiration to ensure that all Malaysian palm oil exports are obtained from sustainable source by end of 2020.
- The Malaysian Palm Oil industry is governed by more than 60 national laws and regulations including the Land Acquisition Act 1960, National Land Code 1965, Environmental Land Conservation Act 1960 (revised in 1989), Quality Act 1974, Pesticides Rules 1988, Occupational Safety and Health Act 1977, Labour Law and Wildlife Conservation Act 2010. In addition, there are 25 licensing categories throughout the oil palm industry's supply chain to ensure the industry meets the strict requirement as set out under the MPOB Act. All of these rules and regulations were embedded in the MSPO as part of the requirement that needs to be followed by the industry intending to be certified.
- Currently, MSPO Certification has been adopted as a means

for the Tokyo 2020 Olympics and Paralympic Games Sustainable Sourcing Code for palm oil. KPPK through MPOB and Malaysian Palm Oil Certification Council (MPOCC) has also been working with China Green Food Development Center (CGFDC), an agency under the Ministry of Agriculture (MOA), China to jointly work on recognition of MSPO Certification scheme under the Green Food certification in China.

- It is our hope that the world especially the EU will support and advocate Malaysia's initiative with the MSPO certification scheme to produce more sustainably-produced palm oil for the global market that will in turn recognize MSPO certified palm oil as a premier palm oil brand of choice for the world oil consumption. Furthermore, the MSPO standard encompasses the 5P's of sustainability (People, Planet and Prosperity, Peace and Partnership) which is in line with the UN SDGs.

- In March 2019, to further reinforce the country's commitment in pursuing sustainable oil palm cultivation practices, the Government of Malaysia has agreed:
 - i. to cap oil palm cultivated area at 6.5 million hectares;
 - ii. to put a stop on conversion of permanent forest reserved area and peatland for oil palm cultivation;
 - iii. to further strengthen regulations with regard to existing oil palm cultivated on peat; and
 - iv. to make available of oil palm plantation map for public

access for transparency

Managing the Deforestation Allegations : Reforestation and Rehabilitation Programme

- The Malaysian palm oil industry is currently focused on improving productivity and yields, rather than expanding land for new planting. Malaysia reiterates its commitment made at the Rio Summit in 1992 to retain at least 50% of the land area under forest cover. The area under forest cover in Malaysia is 55.3%. Apart from that, the Ministry is also exploring the notion of regulating oil palm planting on peatland as well as permanent forest reserve.
- The Ministry is also committed to plant 1 million forest tree species within the next 10 years particularly in degraded lands in Sabah as well as wildlife rehabilitation programmes which will be sponsored primarily by the palm oil industry players. This is a commitment by the industry to make sure that oil palm will no longer be associated with the negative connotation with deforestation actively pursued by international environmental bodies and non-governmental organisations (NGOs).
- MPOC in collaboration with the Sabah Wildlife Department (SWD) has agreed to initiate a survey project that aims to undertake a new population survey of the orang utan and pygmy elephants in Sabah. This survey will bring together

wildlife experts, scientists and researchers to take part in an extensive study on the population of the state's iconic wildlife.

EU - Malaysia Collaboration

- The continuous effort in making sustainable palm oil a success cannot be achieved without the cooperation and commitment from all related stakeholders. Therefore, Malaysia hopes the close cooperation that has been established between Malaysian organisations and their counterparts in the EU and its member countries will continue to facilitate mutual interests in working together.
- Malaysia through MPOB is working together with the Netherlands through IDH The Sustainable Trade and Solidaridad Network Asia Limited on elevating sustainability among smallholders in Malaysia.

Good narratives on Palm Oil in the EU

- The *Sayangi Sawitku* or Love MY Palm Oil campaign is a campaign initiated by KPPK to instill pride and appreciation of the Malaysian Palm Oil and its attributes to our well-being and country. Since the launch of this campaign, KPPK have garnered a lot of support from not only the members of the Malaysian palm oil industry but also various organisations, associations, and the civil society.

- In debunking negative perceptions and to give a greater impact in promoting Malaysian palm oil, the Ministry has decided to elevate the current Love My Palm Oil campaign in ensuring that the good narratives of palm oil is promoted all over the world. It is without a doubt that our palm oil is a God's Gift Commodity. As such, KPPK will continue to promote and highlight the attributes of palm oil under a new aspiration, *#SawitAnugerahTuhan*.
- KPPK and its Agencies is actively promoting our palm oil through numerous medium including online webinars, social media postings as well as physical programmes such as food exhibitions and cooking fairs.
- Through all these efforts, we may able to fully capture the attention of our target audience and spread the correct messages about Malaysian palm oil.

2. Filing of Case to the World Trade Organisation (WTO) Against the European Union (EU)

- On 1 July 2020, the Cabinet has approved KPPK's notion to proceed with the filing of Malaysia's case against the EU at the WTO through the Dispute Settlement Mechanism (DSM).
- KPPK is working together and closely with the Attorney General's Chamber (AGC), Ministry of International Trade and Industries (MITI), Ministry of Foreign Affairs (KLN), Ministry of

Energy and Natural Resources (KeTSA) to prepare all necessary documents. Malaysia is planning to file the case by this year as per KPPK's press statement dated 1 July 2020, that we are adamant and steadfast in taking legal action against the EU on its discrimination towards the Malaysian palm oil.

- Apart from that, Malaysia will also act as a third party in Indonesia's WTO case against the EU to indicate our support to other palm oil producing countries and this will indirectly increase the pressure on the EU.

B. Biodiesel

Biodiesel programme for domestic market was introduced to partially reduce dependency on fossil fuels and promote greater use of our abundance resources of palm oil which the Government believe will incurred other spill-over effect such as better crude palm oil (CPO) price, promote the use of high value-added downstream products and technologies, CPO stock control mechanism and promote cleaner environment. Biodiesel programme will also contribute to the reduction of greenhouse gases emission.

The biodiesel programme was first introduced in transport sector via the B5 Biodiesel Programme and later upgraded to B7 Biodiesel Programme. Subsequently, the B7 mandate was extended to the

industry sector that covers commercial and power generation. Meanwhile, the usage of B10 biodiesel in transportation sector were made mandatory from February 2019 helps to promote higher usage of cleaner fuel.

Currently, the B20 biodiesel programme for transportation sector has already been introduced in Pulau Langkawi and Wilayah Persekutuan Labuan on January 1 and January 15 2020, respectively. The B20 biodiesel programme is plan to be rollout in phases and to be fully implemented by June 2021. In addition, Government also plan to introduce the B30 biodiesel programme as early as the year 2025 subjected to readiness of blending depots, technical verification by vehicle manufacturers, development of B30 biodiesel standards and engagement with various stakeholders.

C. RUBBER

i) Latex Glove Promotion

- Malaysia exported RM17.3 billion of rubber gloves in 2019. Malaysia is currently the world's largest producer capturing 65% of global market share. In order to maintain our status as the premier producer of rubber gloves, KPPK through its agency, the Malaysian Rubber Export Promotion Council (MREPC) has been putting in efforts to support the rubber gloves industry to increase visibility in international markets. MREPC organised market promotion activities

which include participation in trade shows, organising specialised missions and educational seminars as well as organising buying missions for international buyers.

- MREPC is also making greater use of the digital platform to promote Malaysian rubber gloves. Apart from continued focus on existing export markets in USA and Europe, we are also exploring markets with huge growth potential such as China and India as well as markets with promising potential like the Middle East, South America and Africa.

ii) Incentives to promote expansion of glove producers in Malaysia

- A number of incentives are being made available by the Government to further encourage rubber gloves manufacturing in Malaysia. Apart from the Pioneer Status and Investment Tax Allowance under Malaysian Investment Development Authority (MIDA) which provides 60% allowance on qualifying capital expenditure incurred for 5 years for the manufacturing of safety or special function gloves, the Ministry through MREPC has also allocated RM20 million through the Automation and Green Technology Fund to assist and encourage glove manufacturers to adopt Industry 4.0 and automation technology in their manufacturing facilities.
- MREPC is also offering market promotion grants to

Malaysian glove manufacturers to encourage them to participate in market promotion activities to promote their products in international markets.

iii) Foreign labour issue

- We recognise that it is absolutely necessary for our industries to comply with global standards, regulations and practices. One of the increasingly important areas is the adherence to international labour laws and practise of sustainable production and manufacturing. In this regard, we are continuously putting efforts to enhance market confidence and acceptance on Malaysian agricommodities including rubber products.
- At the Ministry's level, we are encouraging industry members to comply with international standards and regulations, practising sustainable manufacturing which includes use of renewable energy and green technology, adherence to international labour practices, and undertaking awareness and educational activities to facilitate better understanding of Malaysia's sustainable production and manufacturing processes.
- Recently the Government has taken a bold step through COVID-19 Movement Control Order (MCO) to stop allowing foreign workers from entering our country. This move indirectly encourage Malaysian companies, including

the Malaysian rubber industry players to enhance productivity and competitiveness through innovation as well as greater use of automation and Industry 4.0.

- We want our industry members to reduce reliance on foreign labour and this will also create higher skilled jobs with better pay for Malaysian workers, which will contribute to the economy. The Ministry, through MREPC has been in constant engagement with the Malaysian rubber products industry members to ensure that we are moving in the right direction towards complying with the international labour practices.

iv) Innovation in the rubber sector

- The Ministry realised that for the Malaysian rubber industry to remain competitive, the industry must put emphasis on innovation and Research and Development (R&D). Among others, this will lead to discovering new products, new technologies and new uses for the products, and improve quality. All these initiatives will enhance our rubber industry competitiveness. For example, there is scope for further R&D into rubberised roads given its rather high cost. Once the cost becomes competitive, Malaysia can also export rubberised road technology.
- On the manufacturing side, particularly on the glove manufacturing sector, the industry members are now in the

midst of transforming their manufacturing facilities to be more automated to ensure the products that we produce are more consistent in quality and cost competitive. The Ministry, through MREPC has established an Industry Linkage Fund to encourage rubber products industry members to undertake market-driven research which will benefit the industry in terms of innovation as well as R&D.

Thank you.

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