



OIL PALM-BASED INDUSTRY



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STRATEGIES AND POLICIES

TARGETS

1.01 The targets of the industry during the IMP3 period, 2006-2020, are:

- total investments of RM26.1 billion, or RM1.7 billion per annum, to be largely in oleochemicals and bio-diesel; and
- gross export value of RM78.8 billion in 2020 (Table 1.1).

TABLE 1.1

PROJECTIONS FOR THE OIL PALM INDUSTRY

	2006-2010	2011-2015	2016-2020	2006-2020	2006-2020
	<i>(RM billion)</i>				<i>Average Annual Growth (%)</i>
Investments	5.9	8.6	11.6	26.1	8.2
Investments per year	1.2	1.7	2.3	1.7	n.a. ¹
Exports (end period)	40.5	59.6	78.8	78.8	7.6

Note: ¹ Not applicable

Source: Ministry of International Trade and Industry

STRATEGIC THRUSTS

1.02 Five strategic thrusts have been set to strengthen Malaysia's position as a competitive, reliable and technologically capable producer and exporter of palm oil products:

- (1) expanding and diversifying into a wider range of higher value-added palm oil products for the international market;
- (2) increasing the market share and developing new markets for Malaysian oil palm products;

- (3) promoting outward investments and global marketing networks in palm oil products;
- (4) enhancing R&D in palm oil and commercialisation of research findings through collaborations with MNCs; and
- (5) strengthening the institutional support and infrastructure to enhance domestic capacities and capabilities of the industry.

(1) PRODUCT DIVERSIFICATION

1.03 The following targeted growth areas will be promoted:

- Oleochemical derivatives and preparations
 - oleochemical derivatives and preparations, such as fatty amines, fatty amides, surfactants, detergents, cosmetics, and personal care products and toiletries;
 - active ingredients for cleaning products, for example, alpha-sulfonated methyl esters; and
 - polyols and their applications in polyurethane, coatings and adhesives;
- Bio-diesel and renewable energy
 - bio-diesel (palm methyl ester);
 - production of renewable energy, such as electricity and steam from palm biomass (including shells, empty fruit bunches and fibres); and
 - bio-gas, another renewable energy source, derived from the effluent treatment system of the palm oil mill;
- Nutritional foods and ingredients
 - value-added products derived from red palm oil;
 - trans-free formulated products;
 - palm oil constituents, such as palm carotenoids and palm tocotrienols; and
 - food emulsifiers and ingredients;
- Biotechnology-based products
 - application of tissue culture and genetic engineering to produce better quality oil and insect-resistant clones;
 - transgenic high oleic palm, suitable for food and oleochemical applications;

- nutraceuticals and pharmaceuticals; and
- bio-degradable plastics; and
- Biomass products
 - panel products, such as fibreboards, particle boards derived from empty fruit bunches and 'green plywood';
 - moulded automotive components and food grade packaging;
 - pulp and paper; and
 - composite materials, for example, bio-plastics.

(2) MARKET DEVELOPMENT AND PROMOTION

- 1.04 Malaysia will promote the export of high value-added products to large and emerging markets. A comprehensive global market research network will be developed, involving both the private and public sectors. In addition, Malaysia will continue to negotiate for greater market access for palm oil products through free trade agreements (FTAs) and negotiations at bilateral, regional and multilateral levels.
- 1.05 Measures will be undertaken to expand the technical advisory network and strengthen the image of Malaysian palm oil-based products through:
- establishing palm oil technical and advisory centres in major importing countries. These centres will provide testing and analytical services related to the quality, handling and usage of palm oil-based products, undertake technical marketing and promotional activities, and provide feedback on the development of the oils and fats industry in those countries;
 - branding Malaysian palm oil and its products. Collaborative efforts between the Government, industry and research institutes will be undertaken to brand Malaysian palm oil and its products on a comprehensive basis. The branding will be based on compliance with stringent standards, incorporating sustainable development and the adoption of good manufacturing practice (GMP) along the value-chain, from plantation to consumers;
 - promoting healthy and trans-free palm oil products. Malaysia will leverage upon the consumer preference for healthy products and the requirement for the labelling of trans-fats, imposed by developed countries, for example, the USA, to further promote the positive nutritional benefits of Malaysian palm oil products in the international market for oils and fats; and

- promoting palm oil-based products as derived from sustainable development. The Government will continue to collaborate with industry and relevant international organisations, for example, Roundtable on Sustainable Palm Oil, and other stakeholders, to develop best practices for the sustainable production of palm oil.

1.06 To sustain its competitiveness, the industry will be encouraged to enhance its productivity through higher contributions of total factor productivity (TFP) growth. Measures include:

- enhancing skills training and professional development;
- securing a larger share of the global market through intensified brand promotion, and greater market access and acceptance;
- promoting product diversification and expansion, and the adoption of sustainable approaches in generating higher value-added natural and plant-based products and energy generation from palm biomass and bio-diesel; and
- promoting the integration and commercialisation of R&D between industry and research institutes and the adoption of zero waste strategy.

(3) PROMOTING OUTWARD INVESTMENTS AND GLOBAL MARKETING NETWORKS

1.07 More Malaysian companies will be encouraged to invest in the processing of palm oil products in palm oil resource rich countries, such as Indonesia and Viet Nam. Outward investments in downstream products in major consuming markets, such as the People's Republic of China, the EU, India, Pakistan, Iran and West Asia, will continue to be encouraged. In respect of production and marketing, companies, including exporters and Government-linked companies (GLCs), will be encouraged to rationalise and consolidate their existing operations into cost effective and efficient profit centres, and integrate or expand their operations into the regional production and marketing networks and establish distribution centres overseas.

(4) RESEARCH AND DEVELOPMENT AND COMMERCIALISATION

1.08 Further research on the economic and commercial feasibilities of research findings will be encouraged to reduce the risk in commercialising innovations, such as pulp and alpha-sulfonated methyl esters, polyols and other oleochemical products. To accelerate the commercialisation of technologies, the Government will provide assistance for such ventures.

1.09 The Incubation Centre in MPOB will undertake strategic research collaborations with world major manufacturers of petroleum and petroleum-based products, and rubber and rubber-based products, to expedite the utilisation of palm oil or palm-based oleochemicals. The collaborations will also involve international R&D centres and MNCs, service laboratories, and testing and certification centres.

(5) STRENGTHENING THE INSTITUTIONAL SUPPORT AND INFRASTRUCTURE

1.10 Measures to strengthen the institutional support and infrastructure include:

- progressively liberalising palm oil refining activities to encourage competition, in line with the global developments. To facilitate the liberalisation process, policy, rules and regulations on refining activities will be streamlined;
- providing adequate assistance to meet the infrastructure requirements to support the growth of the industry in Sabah and Sarawak. The requirements include the need to improve and expand the basic infrastructure, such as the supply of water and electricity, provision of port facilities, and connectivity and quality of roads in the two states. In addition, measures will be introduced to reduce the high cost of transportation between Sabah and Sarawak, and Peninsular Malaysia; and
- encouraging industry associations related to the industry to consolidate, to provide more effective representation of the industry's interests at national and international fora.