

More options, better pricing for Sabah CPO

By Neil Brian Joseph

KOTA KINABALU: The designation of POIC Lahad Datu as a Tender Port for Crude Palm Oil (CPO) and Palm Olein Futures Contracts is timely and encouraging, said Chief Minister Datuk Seri Mohd Shafie Apdal.

Shafie said one of the immediate benefits to Sabah from the designation of POIC Lahad Datu as Asia Pacific Exchange Pte Ltd (APEX) Third Tender Port for CPO and RBD Palm Olein Futures Contract in Malaysia would be the reduction of the so-called 'Sabah discount' on Sabah CPO by APEX from US\$20-US\$30 to US\$10.

He said the status not only means a recognition of additional port and bulking facilities in Lahad Datu, but also direct benefits to palm oil sellers and buyers, as well as lifting the east coast town's profile in the global edible oil map.

APEX is a Singapore-based

commodities exchange. It will trade in CPO and RBD Palm Olein Futures delivered through the storage facilities at POIC Lahad Datu. Shafie also predicted a wider role for Sabah in the palm oil sector due to its proximity to China and India, Malaysia's two palm oil importing countries.

"I am glad that the Asia Pacific Exchange Pte Ltd's (APEX) evaluation of Lahad Datu as a possible candidate to be chosen as their Third Tender Port for CPO and Palm Olein Futures Contract in Malaysia has resulted in a positive outcome," the Chief Minister said at a special three-in-one ceremony for the announcement of the said designation yesterday.

"The designation of POIC Lahad Datu to play this role at this point in time would support the Sabah Government's continuing efforts to develop the palm oil industry and facilitate development in the east coast of Sabah. It's an affirmation

that we are doing something right; that indeed Sabah has much to offer as an attractive investment destination," he added.

Shafie pointed out that the designation will directly link the local industry players with the international buyers through APEX. He said that local traders of CPO and Palm Olein will have more options at their disposal and will now be able to view and price their products based on the prices that are continuously displayed on APEX's platform.

"These expanded options for local industry players will lead to a fairer pricing for our CPO and Palm Olein."

"Currently, the prices of Sabah Crude Palm Oil and Palm Olein are at a significant discount as compared to West Malaysia."

"This discount (commonly referred to as the Sabah discount) may range between USD20 to USD30 based on production as well as demand from the major players."



Shafie (standing, centre) witnessing the signing of the service agreement between Pang (seated left), representing POIC Bulk Terminal Sdn Bhd, and Eugene (seated right) representing APEX. Also seen are Tangau (standing, third left) and Ben (standing, second left).

"Through APEX, this price discount will be fixed at USD10 per metric tonne as compared to West Malaysia and USD5 per metric tonne discount compared to Dumai and Belawan in Indonesia," said Shafie.

In this regard, he said, the palm oil delivered from Lahad Datu will be the cheapest among APEX's five tender ports. This will make trading palm oil through Lahad Datu more attractive.

Other than the announcement of the said designation, the three-in-one event also marked the official launch of the POIC Lahad Datu Bulking Terminal and the signing

of the service agreement between POIC Bulk Terminal Sdn Bhd and APEX (to designate the terminal as a Port Tank Installation (PTI)).

Meanwhile, Deputy Chief Minister Datuk Seri Wilfred Madius Tangau said APEX's decision to come would further complement POIC Lahad Datu to develop the downstream palm oil sector.

"As a Tender Port for CPO and Palm Olein futures contract traded via the APEX platform, POIC Lahad Datu will serve as a physical point of delivery for the two commodities. "It will become a port for

sellers to ship out these two commodities and for buyers to accept physical deliveries of these two commodities," he said. Tangau added that with APEX's designation of POIC Lahad Datu as its first Tender Port in East Malaysia, the horizon for the local palm oil industry have been further broadened.

Also present at the event were APEX chief executive officer cum founder Eugene Zhu, POIC Sabah Sdn Bhd chief executive officer, Datuk Dr. Pang Teck Wai and Assistant Trade and Industry Minister, Ben Chong.