



Photo: The Sun Daily

A jolly good time for Malaysian palm oil

For the Malaysian oil palm industry, things have never looked this rosy for a long time, writes Malaysian business writer Abdul Razak Ahmad.

Crude palm oil (CPO) prices are at a five-year high, averaging at RM4,465 per metric ton (pmt) for the first quarter of 2022, a 40% increase year-on-year compared with RM3,185 pmt previously.

Russia's invasion of Ukraine disrupted the supply of competing rapeseed and sunflower oil to Europe and the Americas. As a result, these markets are looking at alternatives such as palm oil, which Malaysia is the second largest producer after Indonesia.

Indonesia's pole position in exporting palm oil is also being challenged. Its recent decision to ban export of the commodity to help meet domestic demand has allowed countries such as Malaysia to step up and meet the shortfall.

While Indonesia has backed away from the ban, partly due to the country's heavy reliance on export tax of the commodity, the episode has left global markets in doubt about the country's reliability in supplying the vegetable oil in the long run.

Malaysia has risen to the occasion. For example, India, the world's largest importer of palm oil, has been upping its purchase from Malaysia.

In the first five months of the 2021/22 marketing year, India bought 1.47 million tonnes of Malaysian palm oil compared with 982,123 tonnes from Indonesia, data compiled by Solvent Extractors' Association of India showed.

In May, India imported around 530,000 tonnes of palm oil with 290,000 from Malaysia and 240,000 from Indonesia. To top it off, Plantation Industries and Commodities Minister Datuk Zuraida Kamaruddin recently revealed that her ministry is in talks with the Finance Ministry to slash the export tax for palm oil from 8% to between 4% and 6%.

For decades, interest groups have systematically undermined palm oil, and in the process allowed alternative vegetable oils such as rapeseed and sunflower to dominate, especially in the United States and Europe.

The current edible oil shortfall globally and Indonesia's policy flip-flops have allowed Malaysia to

herald the return of the golden era for the country's golden crop.

Local planters and oil palm producers are now smiling of the windfall, after a prolonged period of sluggish demand due to the Covid-19 pandemic.

But observers cautioned that the good times may change after the war in Ukraine ends, as the European markets may go back to prioritising rapeseed and sunflower oil. The industry should take this opportunity to re-strategise and make palm oil a more viable product in the long run. Meanwhile, there are increasing calls for modernisation and mechanization to counter problems arising from Malaysia's dependence on foreign labour in the industry.

For example, drones can help detect unhealthy trees, spray pesticides, monitor yields and conduct weed detection faster and more accurately than manual labour.