



MINISTRY OF PLANTATION INDUSTRIES AND COMMODITIES

An exclusive report to be distributed with *THE INDEPENDENT*

Transcript of the interview with

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Minister of Plantation Industries and Commodities

WORLD REPORT: *Could we begin with a brief introduction on the industry and the main policies you are implementing since you took office a few months ago?*

YB TAN SRI BERNARD GILUK DOMPOK: This is a ministry that looks after plantation industries. It is basically an agriculture ministry with downstream industries. Therefore the policies should be divided into sectors to look after palm oil, rubber, cocoa and forestry, as well as new crops we are thinking of implementing. As you know Malaysian agriculture is monopolised by palm oil. We have about 4.5 million hectares of palm oil. Malaysia is not a big country, with just over 32 million hectares all together. 20 million hectares is forest, 6 million hectares are under three main crops and the others are all other agricultural crops. That is the breakdown. In the case of the palm oil sector, we are no longer looking at huge tracks of land available for palm oil production because there is not much more. I think the only available land are probably some pockets in west Malaysia, a little bit in Sabah and

a little bit more in Sarawak. It is a sizeable chunk of land but unfortunately more than one million hectares are under peat soil. As you know the development of peat land is very controversial from the point of view of the non-governmental organisations and such. I am asking the Malaysian Palm Oil Board to do more research into peat soil before we can do anything substantial in the way of policy.

Peat land is difficult to farm because it costs a lot more; you have to drain it, and in some cases, the drainage problems are a major factor in trying to develop that type of land. But first of all, the general policies for all sectors are increasing productivity. In the case of palm oil the productivity for the average yield per hectare per year of crude palm oil is four tonnes. I would like to increase this to more than eight tonnes, double its yield. This is achievable because some of the big boys are already doing six or seven tonnes, but the smaller ones are keeping it down. In Malaysian palm oil, 60% is run by the big plantation owners and another 40% is by the smaller plantation owners. The small holders are divided into two categories; one is the organised small holders, which is under the purview of Federal Land Development Authority (FELDA), the Federal Land Consolidation & Rehabilitation Authority (FELCRA), and the independent small holders. These are the small-timers who live off the fringe of the big plantations, constituting about 12% of the plant area. These are the ones that are in need of support because they are producing barely half the national average. They are pulling the average down and we want that to improve. Therefore, as far as productivity is concerned, we must improve the yield from the point of view of the big boys and small holders as well. That is a challenge for us. Right now, we have 35 tonnes of fresh fruit against an oil extraction rate of 25. That gives you roughly about 8.75 times CPO per hectare. That is the policy for increasing productivity in palm oil. But how do you get that? The first thing is good agricultural

practice. Secondly, research which means trying to get basic links to plant.

We must also try to organise the small landholders, which means those who are living on the fringe of the big boys. We will probably have to get in touch with the bigger plantations, to see how they can apply corporate social responsibility to help them. Do not forget, that what they produce will eventually go to the mills. If they produce inferior crops, it might affect their quest for the Roundtable on Sustainable Palm Oil. I believe they are willing to talk about that. The problem with the small owners is that they do not have the means to go for good agricultural practice and secondly, they do not have the money to buy fertiliser. What we are trying to see now is how the mills can pass on their savings on buying bulk purchase and translating it to the small holders. They help the small holders with fertiliser and then the small holders can eventually sell their crops to the mill. I am trying to get them to work on that basis now. Once this is done, there will be a dramatic increase in the yield of oil palm from the small holders. I have known companies from Malaysia who have gone to Indonesia to buy land that has been badly managed with no agricultural practices. Within a year they have recovered most of their costs by increasing fertilisers and managing it well. The oil palm is not like cocoa, because coca needs a lot of attention. If you do not look after it this year when the prices are not good, it is a problem to revive it. Oil palm is slightly better than that. If you put in the fertiliser applications, you can get almost a full year's better yield. That is our policy now.

In the case of rubber, Malaysia has got one million hectares of rubber left. I say left, because both the rubber industry and cocoa planting areas have been swallowed up by the oil palm. Productivity is not good, at about 1.4 tonnes per hectare. I would like to go up to 1.8 per hectare. How do we get there? With better organised smallholders. In the rubber

industry, there are two issues that bring down productivity. First of all is the number of tapping days, because if it rains you cannot tap rubber. What you can do is find better ways of tapping. They are now putting a hood over the tapping surface so the rainwater goes away. We also need better planting material. The farmers have been taught to tap using the best method, because do not forget that rubber goes through a winter. During that wintering period they cannot produce very much. We are now looking at how they can diversify their crops and productivity within that period. Now, the new thing we are trying is latex, which means we plant rubber trees from clones that produce latex and at the same time produce good timber. The lifespan of the rubber tree is up to 15 years, but you cannot start tapping until year six or seven. At year 15 you cut the wood to sell. This is what we are trying to do now. At the moment there is a policy in this ministry to plant rubber wood to cater for the furniture industry because I believe that 80% of the furniture industry is using rubber wood. The big boys are the ones now starting to plant it, to bring the rubber trees down to the small holders. They get latex for a good number of years before rubber is finally deemed to be mature enough and suitable for the furniture industry. You have the residual value after tapping. Now we do not have very much cocoa land left, maybe 18,000-19,000 hectares today. In the heyday, there was a time when Malaysia was the sixth biggest producer of cocoa. We had something like 60,000 hectares planted in Sabah, but the palm oil swallowed all of these crops and we are now left with about 18,000-19,000 acres producing 28,000 tonnes of cocoa beans. We do not produce coffee as a crop, just cocoa and I told the staff in the Ministry when I came here that there shall be no "coffee breaks" in this ministry, just "cocoa breaks". For this crop in Malaysia, we have a growing capacity of only 28,000 tonnes a year but a grinding capacity of 320,000 tonnes. We import 90% of our cocoa beans to be turned into drinks and chocolates. We are hoping to be the Switzerland of the East. This is value adding on. We cannot go on looking

at just being primary producers now because the world has changed. Do not forget that one of our main problems in Malaysia is labour. The palm oil industry and plantations alone employ half a million from our side of the country.

WORLD REPORT: *Is this because Malaysians do not want to work on plantations? Is it not well paid?*

YB TAN SRI BERNARD GILUK DOMPOK: I believe it is a question of pay. Of course maybe some of them prefer to do other things. It is common everywhere in the world. There was a time when in your tube stations when Londoners worked there. Afterwards in the 1970s the West Indians took over. As years progressed, people did not want to do that anymore.

WORLD REPORT: *In Mediterranean Europe they bring people from Eastern Europe to pick strawberries and berries in season.*

YB TAN SRI BERNARD GILUK DOMPOK: That is what I am trying to encourage the small holders to do. They are working on their own and they prefer to work on their own land. We have had quite a good response on that. In the case of rubber, cocoa and oil palm, there are specific areas that are supposed to be eminently suited, taking into account the soil conditions and the rainfall. There are certain areas like in Sabah, the east coast, with the best soil and you can plant cocoa, rubber, oil palm, but in the west coast people generally only plant rubber. Rubber grows almost anywhere but I was just trying to tell them to look for higher value crops. Cocoa is a higher value crop, so try and plant it. I know about the yields so I started some small pilot projects. I am also trying to get them to plant pepper, which is another thing in the ministry. I believe

that the future is trying to utilise the available labour resource, in order to optimise the production on the land for all these crops.

WORLD REPORT: *You mentioned the big boys and the small holders, at about 60-40. How important is palm oil cultivation or rubber or cocoa to overcome rural poverty, and also, what is being done to protect the small players from the big boys?*

YB TAN SRI BERNARD GILUK DOMPOK: This is certainly very important. First of all in the case of oil palm, the small holders to a certain extent actually depend on the big boys, because oil palm is a crop that you cannot keep. It is not like rubber that you can tap, turn into sheets and put in your back yard until the right price comes. With oil palm you have to send it to the mill as fast as possible, otherwise the crop will get spoiled. The small holder depends on the big boy. They are very dependent on that. It is very important as a means towards reduction of poverty. This is how FELDA came about. In fact the CEO of FELDA came to see me recently. Their policy is 1,000 ringgit per smallholder. They ensure that they get at least 1,000 ringgit. Now this is above the poverty line. In west Malaysia I believe that the poverty line is about 720 ringgit per month.

WORLD REPORT: *What role do FELDA and FELCRA play in this? What exactly do they do?*

YB TAN SRI BERNARD GILUK DOMPOK: FELDA was developed more than 30 years ago to look into developing land for the benefit of its participants, the settlers. They have access to funds from the government to develop infrastructure, develop property, and work and harvest the crops. That is how it started. I believe many of these people that have gone into FELDA have no regrets. In fact now it is starting to evolve and

the second generation does not want to be there anymore. That is the single biggest issue in FELDA. The fathers want to stay on but the children have become lawyers, doctors and do not want to stay on the farm of 15-20 acres, they want to go to the city. Therefore FELDA is trying to see how they can do things on a commercial basis, so that those settlers, instead of settling there, get shares in the company. This has created a bit of confusion in the last five or six years because people want the title to the property, they do not want the shares. FELCRA's role is to develop land that is otherwise laid to waste. The people who own it do not have the means to put in the roads and such. What can you do with a smallholding of more than five acres? Your land does not have a road and you cannot develop it. FELCRA wants to group them together, develop it, and go into a joint venture agreement with them. They work on the land, they get a wage and at the same time they can have returns when the crops come out. These schemes have improved the lives of the people and I believe they will do well. FELDA and FELCRA are not within this Ministry, but a lot of the small holders keep coming to us, so that is why I am trying to find a way to pull them together to tie up the bigger plantation owners.

WORLD REPORT: *We have also witnessed large concentrations, like the merger between Sime Darby, Golden Hope and Kumpulan Guthrie. Has this produced the desired results and do you still favour big concentrations or national champions in the sector?*

YB TAN SRI BERNARD GILUK DOMPOK: I think the good thing about an amalgamation of companies is that they may become the leader in the industry. Their resources suddenly give them access to better markets, they can organise themselves better in terms of research facilities and the pooling of resources. Just recently Sime Darby came out with research of the sequencing of the oil palm genome so they are going to have a "Dolly

Parton” as it were: big crops and small palms. One of the problems in the oil palm industry is harvesting the crops. As the tree gets higher and higher you have to get a long stick and it is not easy to harvest it. They are thinking, why don't we shorten the palm? Make the fruits bigger and heavier so you do not have to spend so much time going up to take them. This research is being done with sequencing. We are looking forward to seeing this happening with capital that can be employed by the amalgamation of all these companies. They can become bigger players, which of course mean bigger companies. They can have refineries in other parts of the world. I have suggested Morocco for example. The oil and fats market there is quite big but they use soybean oil and are not used to palm oil yet. These are people that are importing palm oil products from Malaysia. The single biggest problem is shipping and bulk buying. I believe they really need to have some bulking installations in that sort of economy and country. This is where the bigger boys come in. There are countries like India and Pakistan asking us to put in facilities for refineries. This is what we are doing in China. China is our biggest market taking about four million tonnes a year. People watch the Malaysian inventory and how much inventory you actually have. At the moment it is 1.3 million tonnes. But what to look at actually is what China is keeping, because they buy, they have an inventory, and when it runs out, they will stock up. When the bigger companies, such as Sime Darby, develop refining capacity in China, we will have a foothold into a huge market. Size is a factor in global competition.

WORLD REPORT: *Malaysia is also the preferred benchmark for the pricing of palm oil and palm oil based products. It has attracted quite a lot of attention from foreign investors. I believe there are plans in this ministry to make Malaysia a hub for the market. How would this be done and what are your expectations of this?*

YB TAN SRI BERNARD GILUK DOMPOK: To begin with it has to be a market that is open so people can come here and do their trading. It is still early days for that as it is still developing. I believe the recent favourable climate is being generated by the Prime Minister's ascension of certain issues like the 30% bumiputera stake. The more you look at it, the more we are building the credibility and integrity of our system and getting people interested. There is no reason why we cannot develop it. After all between Malaysia and Indonesia, we have 85% of the world's supply of palm oil.

WORLD REPORT: *The problem is that Indonesia is looking at doing the same thing.*

YB TAN SRI BERNARD GILUK DOMPOK: Indonesia is doing the same thing, but perhaps there is room for two tigers on the hill.

WORLD REPORT: *Looking at the future, I think the palm oil industry, if my numbers are correct, is five to six percent of Malaysia's gross domestic product (GDP), employing about 1.4 million workers. It obviously has a very important weight on the national economy. With the 10 Malaysia Plan already under construction, so to speak, what do you think that plan has to address in order to further foster development of the industry?*

YB TAN SRI BERNARD GILUK DOMPOK: The 10 Malaysia Plan is almost completed actually, but it will only be put before Parliament sometime during middle of next year. With the 10 Malaysia Plan, the plan is not too far from it was in the Ninth Malaysia Plan. Now more and more we want to encourage the private sector to go in to financing. We do not have any exposure to any of their plantations and owners. I believe what the government would be doing more and more is supporting the private

sector to go in and talk about public finance initiatives. I participated on this discussion about the Malaysia Plan recently. There are also things like the democratisation of assets. Some of the assets that the government has, there is no need to hang on to them, as the private sector can utilise them and develop them further for research and such. For example I was in Brickendon, England, a few weeks ago and I went to see the research facilities of the two Tun Abdul Razak Research Centres, which were the subject of controversy awhile ago. There is a very good research centre there. I want to centralise this research and work with universities in the UK. The private sector is working there and I believe that this is the move towards the future and not just limiting yourself to government activities, but employing more and more of the talents within the private sector and nurturing and developing them.

WORLD REPORT: Research and innovation is definitely the way of the future for any of the management.

YB TAN SRI BERNARD GILUK DOMPOK: It is certainly. There is no replacement for the innovation industries. If that happened we would not have been able to create alternative uses of palm oil for instance. Now we go to the biodiesel, despite biodiesel being a bad word as far as NGO'S are concerned. Nevertheless, it is what is keeping the price buoyant. This is because once it goes below a certain level, it becomes obviously viable for fuel. What is the problem with biodiesel at the moment? Here in Malaysia we are subsidising petrol and diesels. Because we are subsidising that, there is no real market. We also subsidise cooking oil. If it had been a free market, I think the biodiesel industry would soon take off. But of course we are not alone in subsidising. The Americans subsidise nearly everything. It is an unfair market and for that reason the biodiesel industry has not taken off yet. The research is also important.

Without it, we will not be able to survive for too long, given the amount of land that we have.

WORLD REPORT: *We have talked about palm oil, natural rubber and cocoa. I would like to ask you a quick question on timber. According to my data, production fell from 22.05 cubic metres in 2007, to 18.43 in 2008. How do you see the industry developing?*

YB TAN SRI BERNARD GILUK DOMPOK: First of all the timber industry is exhaustive. Although we have standard renewable timber, to really produce timber takes a long time in the natural woods. We are talking about more than 50 years, so you cannot really do very much with regards to the supply in the short term. Cultivating timber is quite different. Therefore our policies relating to timber usage will change from time to time. In the case of west Malaysia, they do not allow anymore export of timber round logs for the use of the furniture industry. We are going to sustain it to simply produce timber. The heydays of the timber industry are long gone. In Sabah for instance, they have more recently gone into forestry management units to try and make the best out of the woods and the timber they have. They are hoping to manage and sustainably produce timber from that. We also have to deal with illegal logging. With the volume of the trees going down every year, only half the demand in this country is satisfied by natural timber. We now have this policy of trying to grow more timber for the furniture industry. The timber in Malaysia will really have to be more and more dependent on plantation and sustainable production. The forestry management units are going for what they call enrichment planting; if they are any open spaces, they will plant there and will hopefully have success.

WORLD REPORT: *One last question regarding the environmental policy; plantations and the exploitation of commodities always raise*

environmental concerns. The Independent is pretty well known for its defence of green issues. Could you please introduce us to your environmental policy as well as let us know what you are doing to protect the environment and make sure activities are sustainable in the long-term?

YB TAN SRI BERNARD GILUK DOMPOK: Malaysia has a vested interest in looking after its environment. This is because of the culture in the whole country and it is most true in east Malaysia, where they are promoting tourism. One of the main attractions is the forest environment and wildlife. Those of you who have gone to Sabah probably want to climb the mountain and see the orang-utans. It is not as though Malaysia does not have a stake in getting its environmental policy correct. Yet at the same time we realise that we also have human beings to look after, apart from the animals. There must be a fine balance between the two in this country. We are also weighing the fact that we are a world citizen and we have a duty to look after the problems of global warming. However, we are also mindful that a lot of others have gone before us. How much forestland is available in the UK? 10%? Here we have at least 50% to 60%, and we want to keep it that way. I think we are getting the right mix and therefore, the environmental policy is tempered with the need to balance the development of humanity itself in Malaysia.

WORLD REPORT: *Would you like to add a final message for the UK audience regarding the industry and the opportunities it offers?*

YB TAN SRI BERNARD GILUK DOMPOK: I know the issues in the environment. I am there all of the time. I will be going to the US and Europe later on to talk about this. Countries like Malaysia are trying to very hard to look after its people. We are trying very hard in order to eradicate poverty. We had this ambition of trying to bring down absolute

poverty by the year 2010, and then later on, relative poverty. We are trying very hard, but how do we do it? We do not need to plight the resources. If we do that, the world says no, you cannot do that. Therefore we probably have to employ the wisdom of those who said “Okay you do not want us to cut down our trees, but give us the money to feed our people.” In Malaysia we are helping ourselves and I think the world should help us to help this country.

WORLD REPORT: *Thank you very much for your comments.*