Higher average palm oil prices expected in 2017

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KUALA LUMPUR — The Ministry of Plantation Industries and Commodities forecasts the average palm oil price to be between RM2,700 to RM2,800 per tonne this year; saying this will be thanks to government efforts to promote palm oil exports.

Last year, palm oil was traded at RM2,600 per tonne.

Minister Datuk Seri Mah Siew Keong said the targeted average price for this year is driven by the strong effort and initiative carried by the government to expand the palm oil export market.

"We are looking to venturing into various markets especially India, Iran, South America and non European countries," he said during the press conference after officiating the Reach & Remind, Friends of the Industry Seminar 2017 and Dialogue yesterday.

Mah said new market penetration plans especially in India is to further enhance the trade relation and to boost the palm oil exports this year.

"By next month, we will be going to India followed by Iran to sign a free-trade agreement with them, since sanctions there has lifted, as well to increase the number of palm oil exporters," he said.

He also said that this year the ministry has also put in place several initiatives, including replanting as well as research and development grants, to step up the game for palm oil players including smallholders.

Mah (left) and Malaysian Palm Oil Council chairman Datuk Lee Yeow Chor at the press conference yesterday. — Picture by Hari Anggara

For smallholders, replanting their palm trees that are more than 30 years old would ensure that they will continue to earn from selling oil palm fresh fruit bunches.

These smallholders are eligible to apply for the replanting grant of RM7,500 per hectare.

The grant is under Budget 2017, where the government allocated RM30 million for smallholders to undertake replanting as well as planting of new oil palm trees.

Mah said Malaysia has more than 550,000 smallholders.

Last year, Malaysia accounted for 30% of global palm oil production and 37% of world exports.

The dynamic growth of the palm oil sector is well reflected by its strong export earnings of RM60.16 billion in 2015 and its high employment rate.

In his speech, Mah said that practical innovation for the palm oil industry is important and these effort needs to be commercialised in order to help smallholders business enhancement.

The industry, currently, employs more than one million people covering both upstream and downstream sectors.

The palm oil sector provides a stable source of income to more than one million local smallholders nationwide.

Palm oil export from Jan to June last year has dropped 50% and only began recovering in the second half of the year.

To-date, about 5.64 million hectares of land are cultivated with oil palm, accounting for over 70% of the country's agriculture land.

Between 2011 and 2015, RM969 million was provided to replant 84,400 hectares, and new crops on 74,600 hectares.

With the initiatives for replanting, Mah said the ministry targets to achieve an oil extraction rate (OER) of 23% by 2020. Currently, the OER is about 20%.

Malaysia's crude palm oil production fell to 15.8 million tonnes between January and November last year due to the El Nino dry weather phenomenon.