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# Felda – an economic powerhouse

A look at Felda's phenomenal growth from village champion to economic powerhouse.

By SHARIDAN M. ALI

FELDA Global Ventures Holdings Bhd (FGV), one of Malaysia's leading palm oil conglomerates, has its roots running deep in the country's first settlement programme, the Federal Land Development Authority (Felda).

As the Felda programme successfully grew with over 112,000 settlers by 1990, the support entities within Felda also expanded in tandem with the development of rubber and palm oil plantations across the nation. In 1996, Felda Holdings Bhd was formed as a holding company for the various commercial units in Felda.

The success of Felda's commercial arm then gave birth to its listed entity, FGV, which has been entrusted by Felda to chart the growth in all aspects of the palm oil industry.

The diversified plantation conglomerate to date has successfully positioned itself as one of Malaysia's leading palm oil players with a fully integrated palm value chain of upstream, processing and downstream activities.

In celebrating Malaysia's 100th-year of oil palm cultivation this year, FGV group president and chief executive officer Datuk Zakaria Arshad who himself is an "anak pen-eroka" growing up in a Felda settlement shared some of his aspirations towards the sustainable growth of FGV that operates and manages over 440,000 ha of plantations in Malaysia and Indonesia.

For Zakaria, it all comes naturally as he recalls the history of Felda as a pioneer government agency to aid the underprivileged Malaysians through involvement in oil palm plantations, which dates back to 1956.

"If you look at Felda's history we have been planting oil palm trees for the past 60 years. My late father joined Felda in 1973 and I have been working professionally under Felda group since 1984.

"Felda is one of the organisations that strive for locally-owned oil palm plantations in a big way for the country.

"Most Felda townships now could be described as having a modern living environment equipped with all necessary facilities," Zakaria points out.

"For example in Jengka, Pahang – the entire area has developed into a thriving township due to the oil palm plantation activities.

"In Sabah, we have a plantation that is one and half times the size of Singapore as one of our leading showcases. The whole of Sabah town development has been nurtured by FGV through its plantation activities there. When asked about the future and challenges ahead for FGV's Palm Upstream Sector, the first thing that came to Zakaria's mind was the severe scarcity of plantation workers.

"To me the key challenge now is to get the palm fruit harvesters (mostly done by hired foreign guest workers) but the scarcity of foreign guest workers in Malaysia has turned out to be an overall plantation industry dilemma."

Out of 35,000 of our workers in FGV estates nationwide, about 70% are Indonesians whilst 30% are Bangladeshis and only a small number are Malaysians.

"FGV will try to mitigate this dilemma by undertaking research

**FGV**

on how to develop better mechanisation tools to enable us to reduce the dependence on foreign workforce in the oil palm plantations," says Zakaria.

To achieve this, FGV is introducing more mechanisation into its operations. FGV's own R&D, developed the CantasTM, a motorised cutter that can help improve harvesting productivity and the Mobile Bunch Catcher (CMS) reduces loose fruit incidences and contaminants on the FFBs.

"We could also learn better mechanisation processes from other crop-based industries such as olives or apples," adds Zakaria.

"Quality seeds development, DNA research and cloning will ensure high-yielding crops with high-immunity towards diseases," he explains.

"We need to make things easier for oil palm planters from the upstream point of view. Now, we are targeting to produce 25-30 MT of FFB per hectare from the current 17-20 MT per hectare derived from our good cloning research and seedling initiatives.

"Along with high-yielding plants, we are also in the midst of developing a shorter (in height) oil palm plant to enable easier harvesting of the fresh fruit bunches (FFB)."

FGV has also pioneered the cultivation of many high-yielding and disease tolerant oil palm plantings and its other supporting materials. For example, FGV's award-winning Yangambi oil palm planting material, commanding about 43% market share in Malaysia, is one of RD&A's innovative products.

The Felda Yangambi GT1 (GT1) and Palma Shield which were introduced in 2016 were developed by FGV's subsidiary FGV R&D Sdn Bhd to combat Ganoderma, an incurable palm disease often dubbed as the "cancer in oil palm trees".

GT1 is the world's first palm planting material that is tolerant towards Ganoderma attacks whilst Palma Shield is a biocontrol agent providing protection against Ganoderma Basal Stem Rot (BSR).

Apart from the science of producing better oil palm planting materials, Zakaria says FGV will continue to pursue its replanting programme to improve the company's palm tree age profile with high yielding planting materials.

"Our replanting target this year is about 15,000ha and this shall further reduce the proportion of our old trees to 37% from 40% currently.

"This is a key initiative that will ensure sustainable growth for our group as stipulated in our long-term strategic plan. We aim to increase our FFB production to 6.25 million MT by 2020 from 3.91 million MT in 2016," he says.

This, Zakaria reiterates, would be the anchor for FGV's growth, whilst venturing into the global frontier.

"We have always been in the commodity business, so we should look into countries which are familiar with us such as India, China and Pakistan. We ought to leverage on our existing value proposition.

"For example, apart from being



"We are in the midst of developing shorter oil palm trees to enable easier harvesting of the fresh fruit bunches," says Zakaria. — Photos: RAJA FAISAL HISHAN/The Star



Oil palm cloning being carried out at FGV Innovation Centre in Bandar Enstek.

one of the major exporters of palm olein to Pakistan, we have partnered Westbury Group to set up a bulking installation facility for handling and storage of edible oils at Port Qasim. We have since then expanded our operations to include a new multi-purpose tank terminal and a modern warehouse facility to support our jetty operations," said Zakaria.

Currently, downstream business commands about 25% of FGV's total annual revenue last year. Zakaria says FGV will continuously develop new products both in the food and non-food sections.

The downstream cluster is an important component of the Group's operations and mostly responsible for all refining and processing activities related to the conversion of CPO and palm kernel (PK) into value-added products.

"We do not want to stop at the production of cooking oil. From there, we have developed a wide range of FMCG products such as margarine, shortening, vegetable ghee and other industrial fats to fulfil the needs of retailers, hyper-marts and wholesalers, hotels, restaurants, catering services and the baking industry.

As for the non-food section, Zakaria is indeed excited with FGV's prospects to produce its own soaps, detergents and shampoos. FGV's oleochemicals unit, Twin Rivers Technologies Holdings is responsible to produce key product lines including the Oleic (tallow based), Lauricfrac (coconut based) and refined glycerine.

"Oleochemicals are key products under our overall business strategy to offset volatility in commodity prices.

"We plan to explore other markets for expansion to further diversify our oleochemicals portfolio," he says.

Commenting on the compliance with multiple palm oil industry sustainable standards such as the Malaysian Sustainable Palm Oil (MSPO) certification and the Roundtable on Sustainable Palm Oil (RSPO) certification, Zakaria believes that these standards are good for the future of the industry.

"RSPO compliance is actually good for us but it is also a challenge if RSPO keeps on changing the goal posts in terms of its principles and criteria in certain areas.

"We withdrew our RSPO certification due to some issues regarding labour and workforce management systems; however, we are rectifying the problem and have committed to recertify our 71 mill complexes by 2021.

"Our membership in RSPO is now separate from Felda but we are looking to solve the sustainability and social compliance issues together, initiating and participating in roundtable discussions with industry peers, NGOs and regulatory agencies to find pragmatic solutions.

"We are looking at these setbacks positively, and these compliances are also beneficial for our expansion as many of our joint-ventures partners are multinational companies," he says.

FGV withdrew the RSPO certificates for its 58 mills nationwide on May 3, 2016. This move has enabled the plantation group to undertake a three-year training and awareness programme on certified sustainable palm oil for its smallholders.

He points out that FGV is looking

forward to have at least eight mill-complexes audited externally for certification this year, which would open up more markets that require the certified sustainable palm oil.

On another matter, FGV as a plantation company, does not escape from the scrutiny of environmental and health non-governmental organisations (NGOs) that often championed such causes including zero burning policy, zero planting on peat land and forest destructions.

"Whilst some NGOs have in-depth knowledge of what they are fighting for, there are also many others who are superficially critical on Malaysian oil palm planters.

"To rectify this, we should continuously engage these NGOs through our planned activities on various platforms," he adds.

According to Zakaria, as a public-listed company, FGV must be transparent in its business operations, well-regulated corporate governance and corporate social responsibilities.

Giving close attention to environmental issues, he said FGV engages the Department of Wildlife and National Parks (Perhilitan), Malaysian Nature Society (MNS), Borneo Conservation Trust, Universiti Kebangsaan Malaysia (UKM) and the Forest Research Institute of Malaysia (Frim), among others, to encourage environmentally sound practices among communities.

Since 2015, FGV has collaborated with FRIM to champion the conservation of the world's largest flower, Rafflesia, with the setting up of the first Rafflesia Conservation and Interpretive Centre (RCIC) in Peninsular Malaysia. The centre in Grik, Perak is scheduled to be completed in 2018.

FGV also lends its support to a joint programme with Perhilitan, MNS and UKM to look into the management of injured and orphaned sun bears under the Sun Bear Conservation Programme, in Sungai, Perak. To-date, 12 sun bears had been rehabilitated and released back into the wild.

"It is our responsibility to encourage environmentally sound practices, especially those surrounding our plantations with the hope that the industry and the environment it sustains will survive beyond 100 years for the sake of our future generation," says Zakaria.