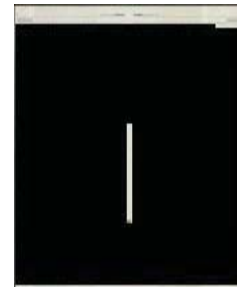


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Plantation conglomerates accelerating agriculture sector's growth nationwide

The role of plantation industry players is critical in sustaining the country's dominance in the global market

by AUFA MARDHIAH & NURUL SUHAIDI

LARGE-SCALE commercial use of lands to secure continuous supply of raw materials has driven leading plantation companies in the country to evolve into conglomerates.

Under the Plantation and Commodity Ministry (MPIC), the country's main commodities in the plantation sector include palm oil, rubber, timber, cocoa, pepper, kenaf and tobacco.

Vital to the agricultural sector and Malaysia's economy, the role of plantation industry players is critical in sustaining the country's dominance in the global market, especially in palm oil production.

Based on MPIC data, palm oil export revenue for 2022 was expected to grow by 11.8% to RM72.25 billion from RM64.62 billion recorded in 2021, while crude palm oil (CPO) prices were projected to average at RM4,250 per tonne with 19 million tonnes of production.

Below is a list of prominent names in the plantation industry.

Sime Darby Plantations

Sime Darby Plantations Bhd (SDP) has presence in 90 countries, producing 2.15 million metric tonnes (MT) of CPO annually and employing over 80,000 talents globally.

SDP is redefining the boundaries of the plantation sector, through its upstream side of business grown from industry-leading genetic seed technology to cutting-edge field innovation.

Other innovations offered to the field by SDP include the GenomeSelect, its latest higher-yielding seed.

In its first commercial harvest in 2019, GenomeSelect resulted in more than 15% increase in yield compared to its prior best planting material, with a potential yield more than double that of its current average.

In 15 to 20 years, SDP envisions that once all of its Malaysian estates have been planted with GenomeSelect, it will be able to generate 300,000 tonnes of extra palm oil, enough to feed 15 million people.

With its Precision Agriculture invention, SDP has replaced standard GPS-based mapping with drones and satellite imaging technology.

This allows them to concentrate their efforts on the needs of each palm — understanding where to direct their efforts in a targeted and efficient manner.

SDP announced in October 2022 that it had effectively mechanised several tasks across its Malaysian plantation operations.

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The group plans to eliminate the need for manual labour in all non-harvesting activities by the end of 2023 as a result of a large-scale project initiated just two years ago.

The industry average land-to-man ratio is currently 1:8, or one worker for every 8ha. SDP has increased its ratio to 1:16.9 through mechanisation and digitisation, intending to reach 1:17.5 by the end of 2024.

SDP is making work in plantations more sophisticated and less tedious through enhanced mechanisation, automation and digitisation of its operations, which will help the industry recruit a more competent Malaysian workforce.

SDP previously announced that it intends to have a 100% local workforce for its Malaysian plantation operations by the end of 2027.

Meanwhile, to curb open burning, which is one of the primary sources of South-East Asia's annual haze problem, SDP changed its conventional slash-and-burn method of clearing land with a Zero-burning Replanting Technique, which is part of its Zero Burning Policy, implemented in 1985.

To date, it is the most environmentally beneficial method of clearing land for oil palm replanting.

The technique has won the United Nations Environment Programme's Global 500 Roll of Honour for Environmental Achievement at the Rio Earth Summit 1992.

Furthermore, SDP has established its own global product innovation and development team to continue to innovate solutions that would assist its customers in their oils and fats applications.

The team is responsible for developing new products and innovative solutions, as well as providing technical advice to respond to evolving consumer needs and megatrends, through three Global Product Innovation and Development Centres in Asia, Africa and Europe, as well as seven Centres of Excellence.

SDP's downstream division, known as Sime Darby Oils (SDO), operates in 12 countries and serves customers all over the world.

SDO provides personalised solutions by creating quality, refined oils and fats products that are tailored to its customer's demands.

SDO manufactures edible oils, and biodiesel based on palm oil, nutraceuticals and other palm oil derivatives.

Some of SDO's known products are Malaysia's top three cooking oil brands, namely Alif, the Superfood Red Palm Fruit Oil and Elaiese, as well as the health supplement Natrieo.

It also has an exclusive range of bakery

fats and dairy-replacement formulations called Vemor; a high-grade nutritious product for animal feed Purafex; Thailand's top cooking oil brand Morakot; premier refined, bleached and deodorised palm olein Certio and hardstock range of Delico used in the production of consumer margarine, spreads and cooking oils.

SDO is also committed to maintaining a traceable and sustainable supply chain.

Through Crosscheck, SDO says it delivers transparency on its supply chain and progress toward implementing its "No Deforestation, No Peat, and No Exploitation" (NDPE) pledges.

Crosscheck is an online traceability dashboard which provides information regarding SDO's global sourcing footprint as well as progress toward resolving supply chain issues.

SDP was previously barred from entering the US by the US Customs and Border Protection due to allegations of harsh labour practices.

Following a two-year import ban on SDP palm oil products, US customs officials recently lifted the embargo after recognising SDP's extensive process over the last two years to examine, modify and (where appropriate) enhance its processes for hiring, managing and engaging with its workers.

In a recent media announcement, SDP group MD Mohamad Helmy Othman Basha noted that the exercise was extremely beneficial in building a market-leading approach to ensuring SDP's employees feel safe, pleased, supported and fairly treated.

"It took us more than 500,000 man-hours to undertake our reviews and to revise what we already had in place.

"To ensure change is embraced and entrenched, we also put in place key enablers

to empower our workers. It is essential that such safeguards are in place to protect those who are vulnerable," he said in a statement.

As part of its renewed commitments, SDP introduced several industry firsts, including the reimbursement of recruitment fees paid by current and eligible former workers to secure employment with SDP in violation of the group's zero-recruitment fee policy; and the introduction of stricter expectations within the group's enhanced Migrant Worker Responsible Recruitment Procedure, which includes efforts to ensure appointed recruitment agents are contractually acquitted.

Aside from that, SDP is committed to

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conducting regular due diligence on contractors to ensure they strictly adhere to SDP's Contractor Vendor Management policies and guidelines when managing workers, as well as creating a social dialogue platform for workers to elect representatives from every nationality to meet with estate management on a fortnightly basis.

Furthermore, SDP established three dedicated helplines for workers and contractors to raise grievances (two of which are independently administered) and controls for monitoring working hours via a process automation system to track workers' clock-in and clock-out time to ensure maximum working hours are not exceeded.

Additionally, SDP created a dedicated mobile application for workers to request repairs to their on-site housing, as well as implemented an environmental, social and governance (ESG) scorecard in SDP's operating units, which aims to drive behavioural change.

"Leaving no stone unturned, SDP has identified and invested in what we believe is a best-practice approach to improving the experience of our workers," said Helmy.

Pics by Muid Amin Naharul

IOI Corp

Incorporated on Oct 31, 1969, IOI Corp Bhd first began as a property developer and later ventured into plantations, becoming one of the biggest conglomerates in the country.

The plantation segment is the largest income generator for the group which is heavily engaged with the cultivation of palm oil and processing its seed breeding, and crop oil extraction.

Its oil palm business comprises upstream plantation operations in Malaysia and Indonesia, and downstream resource-based manufacturing operations.

One of its biggest pride is the Sagil Estate based in Tangkak, Johor, with a land bank spanning about 2,665ha, predominantly for palm oil crops.

On average, the industry through other companies produces about four tonnes per ha per year. However, it is not the case for Sagil Estate as it can easily double the number every year.

Sagil Estate has successfully explored and invested in a variety of plants and fruit trees, including coconuts, durians, pineapples, star-fruits, rambutans, soursops and avocados in its drive to boost productivity and diversify harvests.

There is also a deer farm in addition to a fruit orchard.

Sagil has grown and developed into an agro-tourism attraction.

The group today has in total 96 estates. 15

palm oil mills, four research and development (R&D) centres and one biotechnology centre across Malaysia and Indonesia.

FGV Holdings

Formerly known as Felda Global Ventures Holdings Bhd, FGV Holdings Bhd is another significant player in the country's plantation sectors. It manages a total land bank

of 439,275ha in Malaysia and Indonesia, producing approximately three million MT of CPO per year.

Beyond just the palm oil upstream production at its core, FGV is an integrated corporation that strongly links our food industry through its downstream products.

Saji is the most well-known FGV cooking oil along with a variety of its culinary products such as Adela Butter.

From yield production to being one of the market leaders in rubber production, FGV constantly improves its science-driven agricultural innovation through R&D as an integral pillar.

One of its research hubs is FGV Innovation Centre in Bandar Enstek, Negri Sembilan.

Nurturing its long-standing existence in the market, it is also involved in trading activities such as exporting vegetable oils, processed palm oil and lauric oil to countries such as China, Pakistan and India, as well as pushing the food industry.

Another division of the company is integrated farming and renewable energy (RE), undertaken by FGV Palm Industries. It consists of by-products, RE and zero investment projects relating to biomass produced from palm oil mills.

In total, FGV owns 197 estates located in Selangor, Perak, Pahang, Negri Sembilan, Johor, Terengganu, Kelantan, Sabah and Sarawak.

In Indonesia, FGV's plantation activities are focused on five estates located in Central and West Kalimantan.

Currently, FGV owns 68 mills across Malaysia, processing over 14 million MT of fresh fruit bunches (FFB) annually, with two-thirds of the FFB sourced from the Federal Land Development Authority (Felda) settlers and independent smallholders.

By the end of 2023, FGV aims to bring in an additional 16,000 migrant workers to solve the labour shortage issue for its plantation business.

To appreciate these workers, FGV has allocated RM4.8 million for new accommodation facilities.

As the push toward ESG adherence reig-

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nited among corporates, in September 2021, FGV established its Board Sustainability Committee, whose main role is to assist FGV's board in fulfilling its oversight responsibilities, regarding FGV group's sustainability policies, strategies and initiatives.

FGV has also undertaken various initiatives on the conservation of biodiversity and

wildlife to minimise the impact on the environment.

TH Plantations

The plantation branch of Lembaga Tabung Haji, TH Plantations Bhd (THP), operates oil palm, rubber and teak plantations in Malaysia.

Founded in 1972 as Perbadanan Ladang-Ladang Tabung Haji Sdn Bhd, it debuted on the Bursa Malaysia Securities Bhd Main Board on April 27, 2006.

THP established its first estate at Ladang Sungai Mengah, with a 4,000ha of land, and rapidly enlarged its land bank throughout the years.

THP now owns around 98,000ha of land, 38 estates and six mills in Peninsular Malaysia, Sabah and Sarawak, as well as in Kalimantan, Indonesia.

THP primarily manufactures FFB, palm kernel (PK) and CPO for the Malaysian market.

It believes that there is a huge potential for significantly larger FFB and CPO output in the next few years, as stated on its website.

It aspires to be an efficient, robust and successful oil palm plantation in the future by laying a solid basis and creating better opportunities for organic growth and new initiatives.

On its sustainable initiatives, THP has established a Sustainability Policy which encompasses THP's three key businesses palm oil (cultivation of oil palm, processing of FFB, marketing of PK, CPO and FFB), forestry (harvesting of latex and rubberwood) and management services (includes the provision of management services for oil palm plantations).

The policy also touches on human rights and social commitments, a safe and healthy workplace, employee welfare and promoting career development, respecting and upholding land rights and creating shared value for local and national growth.

On environmental responsibility commitments, the policy highlights the NDPE commitment, efficient use of resources, waste, effluent and air emissions management, neighbouring water resources, zero burning and biodiversity and conservation.

Meanwhile, the policy's ethical business

commitments highlight procurement practices, supply chain traceability and corporate integrity practices.

For 2023, THP will participate in several activities to support the conservation of

coastal forests and peatlands in Gunung Arong Forest Reserve (GAFR), blocking selected drainage canals in the forest reserve and adjacent areas and many more.

The activities planned are part of initiatives signed in July 2022 by the group and the Global Environment Centre, in collaboration with the Johor State Forestry Department (JSFD).

As part of its recovery plan, THP will work on a conservation project focused on the long-term protection and rehabilitation of 4,300ha of land in the northeast portion of the GAFR (to the east of the road between Mersing and Endau that runs through the forest).

So far, from July to December 2022, the project has undertaken several including preliminary field visits to GARE, land cover and land use assessment, analysis of fire hotspots, peatland survey and depth assessments, vegetation and fauna surveys, preliminary fish survey and meetings with JSFD.

In a filing to Bursa Malaysia on Jan 27, THP recorded 64,616.37 MT of FBB, 13,817.64 MT of CPO and 3,440.2 of PK for its December 2022 production figure.

For its third quarter ended Sept 30, 2022 (3Q22), THP posted a net profit of RM14.37 million, down 46.4% from the net profit it recorded in 3Q21.

According to the group's media release, palm oil product prices are projected to remain volatile throughout 4Q22 due to larger year-end palm oil stocks, weather unpredictability and the impending low production season.

"The group has taken all possible steps to address its foreign labour shortage and is expected to ease in 4Q22.

"THP has also stepped up its mechanisation efforts and transformation initiatives in all its estates where possible to improve operational efficiency," it said.

Tradewinds Plantations

Tradewinds Plantation Bhd (TPB), one of the country's largest oil palm and rubber plantation firms, operates 74 estates and 10 palm oil mills across Peninsular and East Malaysia.

In 1995, the company was originally managed by Tradewinds Plantation Services Sdn Bhd.

On May 25, 2004, Tradewinds (M) Bhd and Johore Tenggara Oil Palm Bhd announced the merger of their plantation subsidiary firms.

TPB was then founded on Oct 4, 2005, and listed on the main board of Bursa Malaysia

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on March 15, 2006.

However, the firm was privatised and delisted from Bursa Malaysia on May 10, 2013.

On the operation side, TPB's upstream operations include the development of oil palm and rubber plantations, estate and mill management, as well as the processing of FFB for CPO and PK oil.

TPB currently has a total land bank of 156,138ha — 87% of it planted in oil palm and rubber.

Its 10 palm oil mills have a combined yearly milling capacity of 2.7 million MT of FFB.

As for the group's rubber plantations, they are concentrated in the northern region mainly in Kedah and Kelantan — namely Batu Hitam Estate, Bukit Ketapang Estate, Sg Seraya Estate, Sg Tekai Estate and Kupang Estate.

TPB's trading arm specialises in commodity and product trading for the group and its affiliated companies including the trading of CPO and PK (in the case of oil palm). Alternatively, TPB's rubber industry mostly deals with raw materials.

For the group's R&D programmes, TPB collaborated with several local and international partners to provide governance and industry insights.

Committing to the sustainability effort, TPB implemented and adopted the Good Agricultural Practices which addresses integrated pest management, land management, peatland planting management, effective water management, environmental conservation and zero burning & composting initiative.

TPB also recognised the Malaysian Sustainable Palm Oil (MSPO) standards that need to be adhered to under the Malaysian Palm Oil Certification Council. Two of its operational facilities, namely Ulu Sebol Palm Oil Mill and Ulu Sebol B Estate, were among the first in Malaysia to be awarded the MSPO certificate.

Among TPB's achievements include the AISM Best Estate Award from the Malaysian Palm Oil Board (above 4,000ha) for its Kuala Suai Estate, Miri, Sarawak (2011), MSPO Supply Chain Certification Standard for all its palm oil mills, ISO 37001:2016 Anti-Bribery Management System for its headquarters, Sg Kachur Estate and Sg Kachur POM (2020-2023) and many more.

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Source: www.ioigroup.com

IOI Corp's oil palm business comprises upstream plantation operations in Malaysia and Indonesia, and downstream resource-based manufacturing operations



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From yield production to being one of the market leaders in rubber production, FGV constantly improves its science-driven agricultural innovation through R&D as an integral pillar

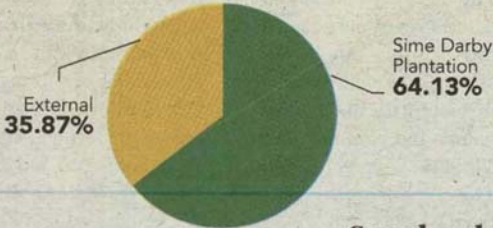
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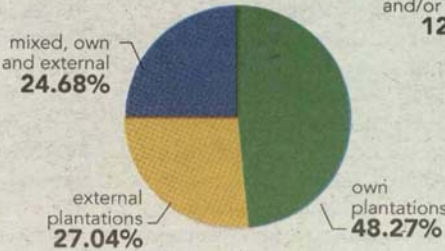
1237 mills, traders and refiners



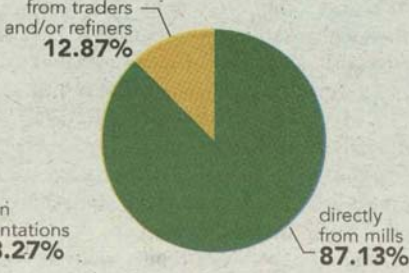
Global supply of raw materials (%volume)



FFB supply base



Supply relationship



Infographic courtesy of SDP