

02 DEC 1997

LEAD Oil

GOVT PROPOSES RM3.15 PER KG FOR COOKING OIL

KUALA LUMPUR, Dec 2 (Bernama) -- The government today proposed a fixed retail ceiling price of RM3.15 for per kg of pure olein cooking oil and RM3.65 a kg for blended cooking oil as from Jan 1 next year.

Primary Industries Minister Datuk Seri Dr Lim Keng Yaik announced this at a news conference at his office at the Dayabumi Tower here.

The proposed prices would be submitted for endorsement by the Cabinet which meets tomorrow in Langkawi, he said.

He said the ceiling prices were fixed based on the 1995 palm oil price stabilisation scheme.

Under the scheme then the government subsidised up to 75 per cent the price of olein manufactured for the local market while the remaining 25 per cent was borne by the producers.

However, this time around the government could not afford to provide any subsidy because of the current economic setbacks, he said.

As such, all the palm oil producers, 55 per cent of them smallholders and Felda settlers and the remaining 45 per cent, estate owners, have agreed to bear the whole cost of the olein.

"We are taking this action because the government does not want to allow manufacturers and retailers to raise cooking oil price for having to buy olein at a higher price from the producers following the ringgit's depreciation," he said.

Lim took two hours explaining the mechanism of the palm oil trade and answering reporters' queries to minimise errors in media reports relating to the cooking oil price issue.

He said the proposed fixed retail ceiling prices for pure olein and blended cooking oil would be immediately gazetted under the Palm Oil Registration and Licensing Agency-PORLA Act upon approval by the Cabinet.

Lim acknowledged that pure olein cooking oil price had gone up now but could not say by how much because it fluctuated according to Crude Palm Oil (CPO) price in the world market.

At times, he said, cooking oil retail price went up even when the CPO price remained at the RM1,100- RM1,200 per tonne level.

Available statistics showed that pure olein cooking oil was retailed at averagely between RM3 and RM3.90 per kg in the Klang Valley area between January and October this year.

The retail price remained at RM3.30 per kg between July and October while the CPO price soared from RM1,400 a tonne to almost RM1,700 a tonne since last August.

On the 1995 palm oil price stabilisation scheme, Lim said it was implemented between February and October that year when the CPO price in the international market surpassed RM1,400 a tonne.

Crude palm oil, presently fetching about RM1,700 a tonne, is turned into olein for the manufacture of cooking oil and stearin, for other products including soap.

"At that time, the government forked out subsidies totalling RM19.6 million when implementing the scheme over the six-month period while the producers paid out RM6.4 million," he said.

Lim estimated that the subsidy, which would be wholly borne by the producers this time around, would be at RM70 million for a six-month period.

He said this calculation was based on the current CPO price of about

RM1,700 a tonne.

However, he said, the government would ensure that not only the producers would have to make the sacrifice of footing the subsidy.

The manufacturers and retailers too would also be expected to sacrifice a little of their profit margin, he said.

"We'll discuss how the burden of the subsidy could be apportioned to quantify how much the producers would actually have to fork out. We'll also cut the profit margin of the manufacturers and retailers so that they too sacrifice a little for the good of everyone, especially consumers," he said.

Last Sunday, Prime Minister Datuk Seri Dr Mahathir Mohamad, specifically referring to the cooking oil price-hike issue, said traders capitalising on the country's current economic woes were no better than saboteurs of the Malaysian economy.

Lim reminded manufacturers and retailers to forget about profiteering from the present national economic situation.

He said if the producers were prepared to fork out subsidy in the form of government cess collection, there was no reason why manufacturers and retailers could not sacrifice a little of their profit.

"I met Meoma (Malaysian Edible Oil Manufacturers Association) yesterday and told them not to expect the government to allow a price hike for cooking oil. Today I decided that we fix the price of cooking oil," he said referring to Meoma's call for a price-hike for cooking oil, the supply of which is controlled.

Lim was also asked how the government would ensure that manufacturers would not export cooking oil meant for the domestic market, for which the raw material has been subsidised.

Lim said: "I leave it to the Domestic Trade and Consumer Affairs Ministry. Perhaps we can label them for domestic sale only and we'll carry out enforcement."

Lim did not discount that in 1995 there were leakages by way of foreign sale of cooking oil meant for local consumption but hoped this would not recur next year since producers have already sacrificed in subsidising the local consumers and not the foreign market.

On the time-frame for the implementation of the price stabilisation scheme this time, Lim said it depended on how long CPO price in the world market would remain at past the RM1,400 per tonne level.

Lim however did not discount the possibility of the scheme being revised if the CPO price reached RM2,000 a tonne as by then it would be very burdensome for the producers to continue giving the subsidy.

He said the manufacturers had informed him that they would need to subsidise 35,000 tonnes of olein monthly for processing for the local market compared to 30,000 tonnes monthly in 1995. -- BERNAMA

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