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Strict enforcement can make it hot for the unscrupulous

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THE announcement that cooking oil - besides flour, sugar and sweetened condensed milk - could not be taken out of the country from Oct 23 is another step forward in ensuring adequate local supply.

Reports highlighting an apparent shortage of this essential item does not gel as Malaysia produces some 12,000 tonnes of palm oil yearly.

Something has obviously been cooking in the edible oil industry.

The authorities say the shortage is artificial, and this has been attributed to hoarding, some smuggling activities and unauthorised parties buying the subsidised palm olein.

Early this year, production of cooking oil was an average 32,000 tonnes a month but it showed an increase to 45,000 tonnes in August.

Primary Industries Minister Datuk Seri Dr Lim Keng Yaik says 35,000 tonnes of subsidised cooking is sufficient for households and that the Malaysian Edible Oil Manufacturers' Association and Palm Oil Refiners' Association of Malaysia agree with him.

Since Dec 16, the price of subsidised cooking oil for household use has been stabilised under the Palm Oil Price Stabilisation Scheme. The subsidy is to ensure the man-in-the-street does not feel the pinch on such an essential commodity.

To protect plantations and smallholders who are subsidising the cooking oil price, Dr Lim had directed the Palm Oil Registration and Licensing Authority to impose, effective Sept 1, a quota on production by refineries supplying to manufacturers and distributors. The quota is capped at 35,000 tonnes a month.

Plantations and smallholders pay RM1,000 a tonne produced, in the form of cess collected by Porla. The cess enables refined palm oil or olein to be sold at a discount to cooking oil manufacturers.

Increasing the production quota is not fair, according to Dr Lim, as smallholders and planters would then have to pay more subsidy to the refineries to process the crude palm oil.

They are required to pay RM50 for each tonne of crude palm oil processed by the refineries which then sell the palm olein at a subsidised rate.

Subsidised cooking oil is currently sold in 500g weight, one kilogramme in plastic bags and bottles, two kilogrammes and two kilogrammes, three kilogrammes and 17kg.

There are no plans now to withdraw the 17kg containers of subsidised cooking oil from the market.

Dr Lim says restaurants, pisang goreng and kacang puteh sellers and other foodstall operators also qualify to buy the subsidised oil and that "we do not want their businesses to be affected".

An earlier proposal by some quarters to withdraw the 17kg tin was to prevent unauthorised people from buying them and then smuggling the oil out of the country. It has been brought to the authorities' notice that subsidised cooking oil is sold in neighbouring countries.

The situation calls for more stringent monitoring of the edible oil situation.

Stricter enforcement will give more bite to nipping the problem at source especially as the authorities know the cooking oil suppliers and buyers of subsidised oil.

On their part, the authorities have set up a committee to ensure all designated areas receive their quota of subsidised oil and that the recent

artificial shortage of cooking oil does not recur.

The committee comprises officials and representatives from the Primary Industries Ministry and the industry. These include Porla, Poram, Meoma and about 300 packagers and repackagers of the subsidised oil.

For something that is subsidised, there are bound to be parties who will take advantage of the cheaper price. It comes as no surprise then that this has raised the ire of Dr Lim.

According to an Oct 13 news report, Dr Lim subsidised palm olein had been siphoned off for use in the food and animal feed industry, while some was sold or smuggled out to neighbouring countries.

As the shortage is artificial, increasing the quota is not the solution as some quarters have suggested.

Effective enforcement is a more likely solution, for errant people have to be brought to book.

The subsidy benefits such "unauthorised" buyers at the expense of plantations and smallholders who have had to pay increased cess as a result of higher production caused by the artificial demand.

The cess was about RM302 million for the first 8 1/2 months of this year - this amounted to about RM1.5 million a day.

Checks reportedly revealed refineries were selling as much as 9,000 tonnes of subsidised cooking oil a month to industries.

Such action smacks of irresponsibility.

According to Dr Lim, refiners can only supply palm oil to millers and re-packers.

And asking industries to refrain from using palm oil meant for household consumption is easier said than done.

Consumers have been switching from imported cooking oil to palm oil-based edible oils as the latter is a cheaper alternative and is loaded with nutritional benefits.

Entrepreneurs are always looking for ways to cut cost, especially in the current economic situation, and buying in bulk - and at a lower cost - will provide them economies of scale.

Many food products are not controlled items and if subsidised palm oil-based cooking oil were to be used in their production, "it will be like subsidising the industry at the expense of the producers", says Dr Lim.

The animal feed industry has reportedly switched to using the subsidised cooking oil as it is apparently cheaper than the raw palm oil normally used in animal feed.

Action will be taken against those who do not qualify as buyers of subsidised cooking oil if they are caught with large amounts of the oil, says the Minister.

The Cabinet has directed authorities concerned to revoke the refinery and distribution licences of errant refiners.

Hopefully, members of the committee set up recently to ensure all get their cooking oil quota can put their heads together and put a stop to the errant actions of the unscrupulous.

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