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Time to propel Felda to play key role as growth engine

By ZAIDI ISHAM ISMAIL

ONCE upon a time, the Federal Land Development Authority's (Felda) land schemes were seen as frontier land, outposts and even a final work place for those left without other options.

It's not the same anymore today.

Felda these days has enormous potential and the Government, realising this and the need for the agency to dance with the times, has moved swiftly to raise its profile.

The agency, which is a big local palm oil producer, has been placed in the Prime Minister's Department, directly under the charge of Deputy Prime Minister Datuk Seri Najib Abdul Razak.

Najib has moved fast. He has set up a think-tank to modernise Felda, its operations and its people.

The first of a series of brainstorming sessions to chart Felda's future and raise its game has been held.

More than 40 prominent people from various fields, including top executives of private plantation companies, academics and government officials had met with the aim of ultimately transforming Felda settlements into dynamic areas of growth.

"Our aim is to develop Felda settlers and settlements so that progressive and value-added economic activities are carried out. There are three generations of settlers in Felda. We have to see how we can bring development to all of them," Najib said recently.

For Felda, even standing as a player alongside the granddaddy of agriculture, the US-based Cargill Inc, is a possibility.

The target is possible for Felda, which has a landbank only slightly smaller than the size of northern Kedah, as it is one of the world's largest plantation holding firms, if not the largest.

Felda, set up in July 1956, has a total landbank of 811,140ha of which about half is owned by smallholders.

It manages 275 land schemes nationwide and owns 72 oil palm mills and four refineries in 11 states. Its land schemes are home to about 105,000 families.

Felda has the potential to become an even bigger revenue powerhouse for Malaysia than it is now and also be an important platform to launch the country's modern and integrated agriculture policy.

Palm oil and its related products rake in some RM28 billion into the nation's coffers annually - more than even the revenue from petroleum exports.

Felda? Outposts? Frontierland? Think again.

But for Felda to stand alongside the likes of Cargill it may take a little while since the agency's foundations need to be strengthened, analysts said.

The Government is keen that Felda thinks and acts value-added and looks into integrated farming concepts and agro-industries, including venturing into biotechnology.

These would diversify Felda's earnings sources from only just palm oil.

Felda group chairman Tan Sri Dr Mohd Yusof Noor said Felda now gets its orders directly from the top, not only to ensure it plays a key national economic role, but more importantly that the welfare of its most crucial element - its thousands of settlers - is taken care of well.

National Economic Action Council working committee member Datuk Dr

Zainal Aznam Yusof said the Government wants to focus on upgrading the economic and social lot of the settlers and the agency.

"Prime Minister Datuk Seri Abdullah Ahmad Badawi is concerned about the long-term plight of the smallholders' children who are now entering into the second and third generation," said Zainal.

If the Government succeeds in improving the lot of the settlers, Felda as an entity, will be set to stand up alongside other key agencies that power the Malaysian economy.

Abdullah wants a five-point plan for Felda to be implemented.

Felda must diversify, improve its technology, venture into creating a one-region-one product concept, create more small- and medium-scale industries and tap the full potential of its younger generation.

Gabungan Wawasan Generasi Felda chairman Tan Sri Rozali Ismail said the rationale behind the move is simple - to propel Felda's palm oil sector to the forefront and to be at par with other industries.

"It is time for Felda to play its role as one of the country's main engines of growth at par with the other sectors such as manufacturing, services, oil and gas and information technology," he said.

He said billions of ringgit has been invested in Felda and the Government is therefore reviewing the statutory body's role.

Felda has all the foundations for becoming a successful and powerful player in the commodities sector.

By sheer size, its landbank produces about 20 per cent of Malaysia's palm oil and is a key contributor in the Malaysian agriculture sector.

Analysts look forward to the agency being restructured and then for it to prosper with the flotation of its subsidiary Felda Plantations Sdn Bhd on Bursa Malaysia Securities Bhd.

The flotation would also benefit settlers with each receiving shares from the company for their participation.

The Felda group, which groups 40 wholly or partly-owned subsidiaries as well as joint-venture firms, has consistently registered earnings between RM4 billion and RM5 billion annually.

Its annual net profit ranges from RM400 million to RM500 million a year from businesses in plantations, agricultural services, bulking, shipping and catering.

Mohd Yusof said it is Felda's long-term aim to boost earnings to RM8 billion with a net profit of RM1 billion yearly.

"Investors are going to like Felda because of its good profitability record and its earnings potential is limitless," said MIDF Sisma Securities Sdn Bhd's economist Azrul Azwar Ahmad Tajudin.

Mohd Yusof said details of the flotation have been finalised and are awaiting the Cabinet's approval.

Market players said when former Prime Minister Tun Dr Mahathir Mohamad announced Felda's listing plan last September the news attracted worldwide attention.

They said it is time to bring back international trading in palm oil to its seat in Malaysia, the top world producer, and Felda's presence as a major world player may help achieve the aim.

Right now, the commodity's outlook is partly determined by an industry forecaster based in Europe and its supply and demand scenario is dictated from a commodities trading house thousands of kilometres away.

"It's time Malaysia emulates the US-based giant trading house Cargill Inc which controls much of the world's commodities trading and yet has no operations in many of them in the first place," said Golden Hope Plantations Bhd group chief executive Sabri Ahmad.

On product diversification, Mohd Yusof said Felda is venturing into the herbal products business as a new alternative source of income to

complement the oil palm business.

The agency is preparing its Felda Herbal City in Pahang, which is dedicated to herbal products, from planting to processing and marketing, at a 405ha plot with an initial investment of RM10 million.

The plan is to plant the herbs alongside oil palm trees. Annually, the global herbs market is said to be worth about RM40 billion.

There are also plans to eventually do business overseas. Felda will send its officers to assist Timor Leste in plantation management soon, and at least one African state has indicated its readiness to receive professional advice from the agency.

The possibility of Felda opening new land schemes abroad on joint-venture basis with other governments has not been discounted by analysts.

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