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(PRIME MINISTER)

EVENT: THE OPENING OF THE AOCS/PORIM WORLD CONFERENCE ON
PROCESSING OF PALM, PALM KERNEL AND COCONUT OILS

VENUE: HILTON HOTEL, KUALA LUMPUR, ON MONDAY

DATE: 12 NOV 1984

TIME:

Saya mengucapkan tahniah kepada American Oil Chemists Society (AOCS) dan Instituti Penyelidikan Minyak Kelapa Sawit Malaysia (PORIM) di atas usaha mereka menganjurkan Persidangan ini. Persidangan ini, pada pendapat saya, adalah tepat dan sesuai dengan keadaan semasa, ketika kita sedang giat berusaha untuk memperbaiki jentera dan suasana berbagai aspek pembangunan, pengurusan dan daya pengeluaran negara.

2. I would like to extend a very warm welcome to all of you present here this morning, especially to participants who have come from overseas. This year, I understand, also marks the 75th anniversary of the American Oil Chemists Society and I am therefore pleased that you have chosen Malaysia as a venue for this Conference together with PORIM, in your anniversary year. To the President and members of the AOCS, I would like to extend my congratulations on your anniversary and hope that the Society would continue its good work in the context of the dynamic changes in the use of oils and fats.

3. The development that Malaysia has achieved in the last three decades as reflected in the expanding scale of resources, both natural and man-made, and in particular oil palm is certainly one worth studying. Although the oil palm was brought to Malaysia about a century ago as an ornamental tree, oil palm cultivation started on a small scale only after World War Two. However in the 1960's, arising from the need for agricultural diversification, large tracts of land were cleared for oil palm cultivation. Now, the oil palm has come to be known as the 'Golden Crop' for Malaysia.

4. It is therefore not surprising that more than 13% of Malaysia's population of 15 million are now directly or indirectly dependent on oil palm cultivation and related industries. This is one of those industries where the public and private sectors have combined well to achieve progress. This twin and complementary role of the public and the private sector is in line with the newly enunciated concept of Malaysia Incorporated. The private sector is regarded as an essential partner in development and every encouragement is being given to the private sector to play

its due role in this partnership.

5. We in Malaysia take pride in the fact that we have within a period of less than two decades emerged in the international oils and fats community as the world's largest producer and exporter of palm oil. The global output of Malaysia's oil palm production is expected to increase steadily and reach 5.6 million tonnes in 1990. Palm oil has been projected by the FAO to show the fastest growth in the oil and fats sector, with total world production estimated at over 6 million tonnes in 1985. Clearly, Malaysia will play a major role in the oils and fats sector in the future as it has done in the past.

6. It is partly because of this role that we establish the Kuala Lumpur Commodity Exchange or KLCE. Apart from developing Kuala Lumpur into an international commodity centre, the KLCE is seen as making an important contribution to the process of price discovery which is so crucial in international commodity trade and commerce. Until the recent defaults in the palm oil contracts, the KLCE has served that function magnificently. Since its inception in 1980, the daily average turnover increased from 122 lots in 1980 to 132 lots in 1981, 220 lots in 1982 and 776 lots in 1983.

7. As a young Exchange, the good support that the KLCE has received from the industry suffered a setback due to the recent defaults. However steps are being taken not only to restore the palm oil futures market to normalcy, but also to strengthen its structure of operation. To this end various short-term and long-term measures, such as amendments to the Commodities Trading Act 1980 and the Rules of the Exchange and the Regulations of the KLCCH will be undertaken. I am hopeful that these will bring about an improved Exchange beneficial to all sectors of the trade and industry.

8. Despite the setback, the Government absolutely has no intention of abandoning the idea of making Kuala Lumpur an international commodity centre nor the concept of self-regulation which is vital in the operations of Commodity Exchanges. At the same time the Government is concerned that those who participate in the Exchange fully appreciate and understand that discipline and a proper code of conduct and ethics are ingredients which are vital if the Exchange is to truly reflect the forces of demand and supply in the process of price determination. Equally vital is the support of the international trading community in participating and in giving recognition to the KLCE. Their long years of experience in commodity futures markets constitutes an important component in making the KLCE a viable and robust Exchange that should benefit all. I am hopeful that this recognition is mutually acceptable especially on the part of the international community and that we in Malaysia will see more and more participants from overseas in the KLCE.

9. I am happy to note that palm oil has speedily outpaced its other main competitors to rank second only to soyabean as the world's largest resource-based material for both edible and industrial uses. As an agricultural crop produced single-handedly in the developing world like Malaysia, the track record of the industry as one of the major contributors to national development is most impressive. We are fully aware that for the growth of the industry to be effectively sustained, it has to be matched by an equally vigorous programme of research and development. In this connection PORIM constitutes the spearhead of the palm oil industry in advancing and broadening the base of the industry both in the upstream and downstream activities. This is in line with the Government's policy of laying greater emphasis on R & D. In the face of price volatility in the world market which creates havoc with the export earnings of primary commodity producers, we look to R & D to bolster up the industry and to enable it to be more cost-effective and more resilient.

10. In its national research efforts in the palm oil industry, PORIM although only established in May 1979, has already achieved a number of breakthroughs. PORIM's research programmes are directed towards improving oil quality by selective breeding, development of mechanical means of harvesting, evaluation of by-product utilization, definition of product standards and improvement of the oil mill and refining processes. With the advent of vegetative propagation through tissue culture, large scale clonal planting and replanting is envisaged in the future. The recovery of Vitamin 'E' from the by-products of palm oil refinery, production of diesel fuel from the methylesters of palm oil, recovery and use of the biogas from the oil mill waste for the generation of electricity are some of the highlights in PORIM's result-oriented research programmes. The mounting evidence favouring b-carotene as an anti-cancer agent and the role of excess polyunsaturated fats in enhancing cancer progression has also triggered the potential of using palm oil in anti-cancer studies. It has also been confirmed that palm oil does contain a substance that is able to 'neutralize' or overrule the prothrombotic and atherogenetic effect of the saturated fatty acids it contains. The nutritional significance of palm oil cannot therefore be assumed on the basis of its fatty acid composition alone. Hence, not only is palm oil generating its own interest in the world of medical research, but its oil mill and refinery by-products also offer productive uses which should add to the dynamism of the oil palm sector.

11. With developments and advancement in oil palm technologies, I would like to call upon the traders and users of oils and fats to give palm oil its unbiased and fair competition in the world market. Unfair accusations to denigrate palm oil by those who have vested interests to protect other oils will not succeed. The outstanding

features of our palm oil such as its high oil yield, that is over ten times that of soyabean per hectare, high quality, ideal for cooking as well as for margarine manufacture, practically cholesterol free, easily assimilated and predictable production cannot be brushed aside. Unfortunately, there still continue to exist discriminatory practices against palm oil in the oils and fats markets.

12. The competition between soyabean and palm oil is a case in point. Some so-called experts even maintain that palm oil has no unique properties and therefore consumption will only grow if it sells at a discount to soyabean oil. These same experts forget to explain why the American potato chips maker is willing to continue using palm oil even when it holds a premium over soya. Could it be that certain unique properties of palm oil justify payment of a premium?

13. The obstacles being faced by palm oil are multi-faceted and are well-known. Suffice for me to say that the case of the influential anti-palm oil or pro-soyabean lobby has shown up in the form of protectionist policies and higher tariffs on palm oil, especially that of processed palm oil.

14. An important feature of the Malaysian industry is that it is especially aimed to supply the world market. Domestic consumption takes up only about 300,000 tonnes of palm oil products per year. This fact, coupled with relatively more predictable output of a tree crop, makes Malaysian palm oil a very reliable source of supply. As expressed in our National Agricultural Policy we will continue to expand the acreage under oil palm. We recognise the fact that success in the oil palm industry depends on a high degree of organisation and management and it is therefore intended that future developments will be carried out mainly by Government agencies and estates and by organised smallholders. It should be noted that Malaysia still has very large areas of land suitable for oil palm which are still undeveloped. Within the last 10 years, Malaysia has built up a refining capacity to match the crude oil output, so that the products offered have been diversified to meet a variety of market needs.

15. I note with interest that coconut oil will also be discussed at this Conference. Malaysia is also a coconut producer and coconut oil exporter but on a modest scale, and we have contributed in no small way to the development of high yielding coconut hybrids. From an agricultural point of view, coconut has proved its value in recent years as a shade crop for cocoa. The interplanting of these two crops is proving very successful and profitable.

16. I am told that an attractive feature of coconut oil is its content of short chain fatty acids, which makes it particularly valuable as a raw material for the oleochemical industry. The only other significant source of these acids

is in fact palm kernel oil. Recent industrial development in Malaysia has included capacity for the processing of the fatty acids both of palm oil and of the lauric oils. The latest of these developments is the growth of the oleochemicals industry in Malaysia which represent yet another area for downstream processing.

17. The development of the palm kernel sector itself is of special interest to Malaysia. Being basically a spin off from the palm oil industry, it offers ample prospects for development, especially in the context of the launching of an industrial master-plan for Malaysia. The development of industries arising from the incidental production of palm kernels can contribute markedly to investments in enterprises as part of the continued expansion of resource-based industries and the growth of export oriented industries.

Ladies and Gentlemen,

18. This Conference represents a very major effort from an international focus to examine the technical, marketing and economic aspects of the increasingly important segments of the fats and oils industry. From your programme, I note that discussions will deal with recent advances in the state-of-the-art processing as well as utilization of the important oils in question. I would therefore like to take this opportunity in wishing all of you success in your deliberations. I now have great pleasure to declare this AOCS/PORIM World Conference on Processing of Palm, Palm Kernel and Coconut Oil open.
Thank You.