**Free Trade Agreement - The Way Forward for the Malaysian Palm Oil Industry**

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**ABSTRACT**

Free Trade Agreements (FTA) have gained prominence in recent years arising from the long delayed conclusion of the World Trade Organisation (WTO) Agriculture and Non-agriculture Negotiations (NAMA). However, member countries of the WTO are keen on fostering greater trade liberalisation with their major trading partners, either bilaterally or regionally to enhance greater market access opportunities. In this context, although Malaysia is a late starter to FTA, it has picked up rather aggressively of late. Malaysia thus far has been involved in the successful completion of five bilateral and regional FTA respectively, both of which have proven to a large extent increased trade dealings and the removal or reductions of trade impediments, especially high tariffs, coupled with increased market access opportunities through flexible rules of origin (ROO). This article will attempt to provide the importance of FTA, features of FTA and the involvement of Malaysia in FTA, both concluded and currently under negotiations.

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**Labour Requirements in the Malaysian Oil Palm Industry in 2010.**

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**ABSTRACT**

Malaysian oil palm industry is labour intensive especially in the oil palm plantations. This article estimated the total number of workforce in the Malaysian oil palm plantations in 2010 by carrying out a census in all the plantations. It is estimated that there were 446,368 workers in 2010. This number consists of mainly foreigners of about 69% and locals of about 31%. The small number of local participation indicates their lack of interest to work in the industry and this urged the industry to resort to employing foreigners. Foreign workers worked for various critical jobs which are labour intensive, particularly field jobs such as harvesting and collecting fruits, weeding work and other general work. Majority of them are Indonesians, in addition to other nationalities such as Bangladeshis, Thais, Myanmars, etc.
The labour land ratio is 1:9.95 which means that one worker can cover about 10 ha. The study also shows that oil palm plantations in Sarawak and in Peninsular Malaysia appeared to face critical shortage of labour as compared to Sabah. As an ideal situation, the oil palm plantations as a whole would require a total of 493 512 workers for the 4.19 million hectares of planted areas under oil palm in 2010.

**World Palm Oil Supply, Demand, Price and Prospects: Focus on Malaysian and Indonesian Palm Oil Industries**

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**ABSTRACT**

The oils and fats sector had shown that both its production and consumption had increased at almost the same rate in the past. Any differences between them will indicate either an oversupply or shortagesituation of oils and fats in the world; oversupply occurred when production exceeded consumption and shortage when the situation was reversed. Thus, world production and consumption of oils and fats in 1976 were 45.9 and 47.3 million tonnes respectively (shortage) while in 2010 both were at about 171.2 million tonnes (almost equilibrium). Among the 17 oils and fats, palm oil has expanded the most in the production and consumption of the oils and fats. It began as one of the minor oils being produced and consumed in 1976 (1.6% and 6% of the world production and consumption of oils and fats respectively) and gradually surged to become the largest produced and consumed oil in 2010 (both at about 28% of the world production and consumption of oils and fats). Palm oil will continue to be the main oil produced and consumed due to its high productivity, cheaper price and healthiness. Its production in Malaysia is expected to be about 18.33 million tonnes while Indonesia will produce about 24.91 million tonnes in 2011. As Malaysia has a constrain to expand its oil palm area due to lack of suitable land, increase in future production is expected to be through increase in its productivity. Palm oil price is associated closely with itsmain competitor, soyabean oil, and lately crude petroleum price also had an influence. However, there are other factors that need to be considered in evaluating price of palm oil. Taking them into consideration, price is projected at RM 3217 t in 2011 with the first half of year being higher than the second half.

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ABSTRACT

Malaysian export earnings from the animal and vegetable oils and fats sector had been fluctuated in the past. The major component of this sector is obviously that of palm oil which is also highly volatile and in tandem with the total earnings from the animal and vegetable oils and fats sector. It is the aim of this article to assess the instability of the Malaysian palm oil export earnings by using one of the latest techniques in modeling called generalized autoregressive conditional heteroskedasticity (GARCH). The model shows that palm oil export earnings is really instable. Sources of the instability were then sought through literature and the key determinants of the instability are prices of crude palm oil (CPO) and soyabean oil, exchange rate, palm oil export volume and production, and gross domestic products (GDP) of Malaysia’s major trading partners. These key determinants were linked in a multivariate regression model with the export earnings. Results showed that the most significant factors are prices of CPO and soyabean oil. Thus, price of palm oil had played a major role in causing the instability of the Malaysian palm oil export earnings. To stabilise the earnings, one needs to stabilise first the price of palm oil in the market which is exposed to the vagaries of market forces of supply and demand.

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