



**PREPT CLUSTER 3**  
 CSPKO – Challenges & Issues from a  
 Producers Perspective  
 8 November 2016

**Sime Darby**  
 Plantation

## The Largest CSPO Producer in the World

Annual Global CSPO Production Capacity

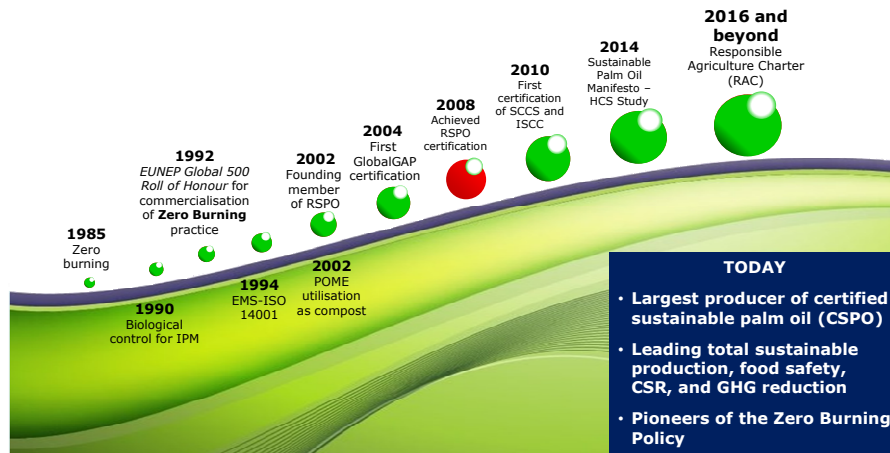


10.95 mil MT  
(31 July 2016)



Source: RSPO

## 35 Years of Sustainability Leadership



3

## Challenges Related to PK Industry



4

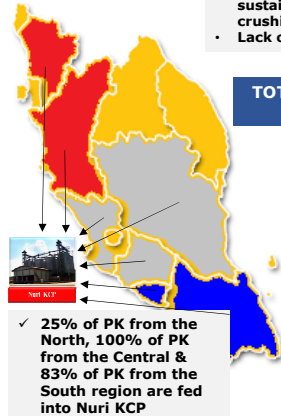
## 1 & 2. Lower Supply of CSPK leading to Inadequate PK to Fill Refineries' Capacity Utilisation



### Issues faced by SD Crushing Plants

- Not all of the PK produced can be fed to own crushing plant due to logistical reasons
- Extremely high competition for PK in East Malaysia
- Limited availability of segregated sustainable PK to suit requirement at own crushing plant
- Lack of SG PK sellers in the market

• SD utilisation rate of Nuri KCP in Peninsular Malaysia fell to 81% from 93% the year before due to El Nino.



TOTAL PK PRODUCED FY 2015/16  
279,574 MT



✓ 34% of PK from the East region (Sarawak mills) are fed into Austral KCP

Note:  
\*North Malaysia  
\*Central Malaysia  
\*South Malaysia  
\*East Malaysia

• Our East Malaysia, Austral KCP's utilisation rate was only half of its capacity resulting in high operation cost.

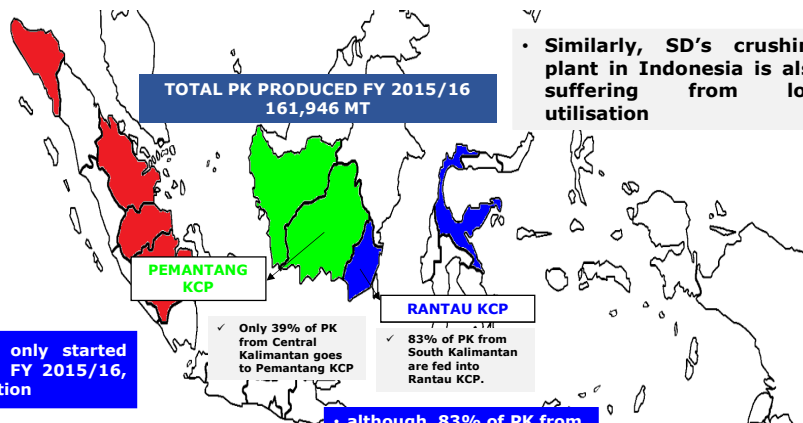
• In 2016, the global CSPK supply is expected to decline by 14% to 2.59 mil MT. The drop in output will have severe impact on buyers seeking CSPK and its products.

## PK Fed into KCPs in SD Indonesia



TOTAL PK PRODUCED FY 2015/16  
161,946 MT

• Similarly, SD's crushing plant in Indonesia is also suffering from low utilisation



• Pemantang KCP only started its operations in FY 2015/16, at 66% of utilisation

• although, 83% of PK from Kalsel+Sul region were fed into the KCP, the utilisation rate achieved was only 54%

Note:  
\*Sumatera  
\*Kalsel + Sul  
\*Kalteng + Kalbar

### 3. Logistical Issues Related to PK & its Derivatives



#### Reluctance of transporters to collect PK due to distance

- Mills are located too far away that KCP's transporters are unable to do collection
- too much handling/process before it reaches crushing plant when the PKs are transported from different state (mainly PKs from Sabah mills to Austral KCP), resulting in quality issue

#### Port congestion

- due to bad weather/delayed ship arrival at port

#### Safety & Hygienic Level of Storage Area

- PKEs are sold in bulk quantity, where it needs to be accumulated at the warehouse. This may lead to the occurrence of fire due to high temperature of the processed PKE.
- contamination on products if storage area is not maintained well at warehouse
- sellers to bear the cleaning cost if there's any spillage/leakage at warehouse

#### Slow loading rate

- PKE loaded into ships using conveyor

7

### 4. Additional Costs



#### Logistical cost – Shipping and bulking

- transporting/shipping of CSPK & CSPKO from different locations require proper delivery/shipment planning

#### Operating cost

- warehouse related costing for storage of bulk PKE – additional cost for pallet, wrapping or cleaning in case of spillage

8

## 5. Heavy Taxes That Producers Have to Bear



### MALAYSIA

#### Export Duty

- 10% for CPKO
- 5% for RBD PKO

#### State Government Sales Tax

- 7.5% in Sabah
- 5% in Sarawak

#### GST

- 6% tax

#### Windfall Profit Levy

- Peninsular Malaysia – 15% on CPKO price above RM 2,500/mt
- Sabah & Sarawak – 7.5% on CPKO price above RM 3,000/mt

Price Range	New System
	USD per MT
< \$750	0
\$750 - \$800	3
\$801 - \$850	18
\$851 - \$900	33
\$901 - \$950	52
\$951 - \$1,000	74
\$1,001 - \$1,050	93
\$1,051 - \$1,100	116
\$1,101 - \$1,150	144
\$1,151 - \$1,200	166
\$1,201 - \$1,250	183
>\$1,250	200

### INDONESIA

And, additional export levy for respective products:

- ✓ USD50/MT export tax on CPKO/ CPKOLN/ CPKSTN
- ✓ USD40/MT on PKFAD
- ✓ USD20/MT on PK/ PK meal/ RBD PK products

9

## SDP's Sustainability Effort

*Sime Darby Plantation plays a leading role in the development and promotion of sustainable practices in the palm oil sector*



### Open Palm Dashboard

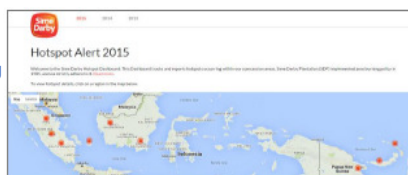


"Open Palm" online traceability dashboard that provides critical information on the traceability of its full supply chain.

- To demonstrate **transparency** and **integrity** in our supply chain.
- Significant milestone for SDP in their effort to provide more value to its discerning customers
- To show our enduring commitment to promote sustainable products and practices in the industry

### Sime Darby Hotspot Dashboard

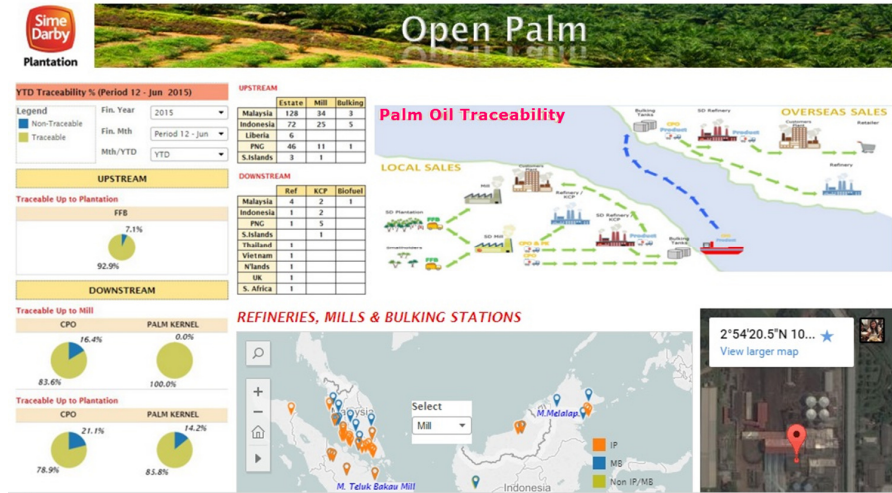
The Sime Darby Hotspot Dashboard **tracks and reports hotspots occurring within our concession areas** where we **respond immediately** to contain and put out the fire



10

## Traceability from Upstream to Downstream

Open Palm Traceability Dashboard



11

## Sime Darby Responsible Agriculture Charter

Key Elements – Launched in September 2016



- 1 Human rights and social development commitments**
  - Respect human rights and empower communities
  - Protect labour standards and enhance employment conditions
- 2 Environmental commitments**
  - Protect and enhance forests
  - Protect and disclose environmental impacts and minimise resource use
- 3 Corporate integrity commitments**
  - Protect ethical standards
  - Disclose performance and objectives
  - Enhance supply chain traceability

4. Phased Implementation and Enforcement

5. Engagement and Continuous Improvement

6. Verification

7. Scope of this charter

*The Responsible Agriculture Charter is a summary of commitments made by Sime Darby through other initiatives (e.g. RSPO, SPOM), and company policies.*

12

**Thank you**

